

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Financial Statements
For the six-month periods ended
30 June 2014 and 2013
With Independent Auditors' 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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Independent Auditors' Report
English Translation of a Report Originally Issued in Chinese

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

We have audited the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. (the "Company") and its subsidiaries as of 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, and the related consolidated statements of comprehensive income for the three-month periods ended 30 June 2014 and 2013, and for the six-month periods ended 30 June 2014 and 2013, changes in equity and cash flows for the six-month periods ended 30 June 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 audits.

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

Based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the consolidated results of their operations for the three-month periods ended 30 June 2014 and 2013, and for the six-month periods ended 30 June 2014 and 2013, and their cash flows for the six-month periods ended 30 June 2014 and 2013 in conformity with the requirements of the "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 six-month period ended 30 June 2013, and the related consolidated balance sheets as of 1 January 2013 and 31 December 2013.

Ernst & Young
Taipei, Taiwan
The Republic of China
27 August 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 audit 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 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013
(Expressed in thousands of dollars)

	Notes	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
		NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Assets									
Cash and cash equivalents	4, 6	\$439,314,462	\$14,707,548	\$331,666,078	\$11,118,541	\$301,177,278	\$10,052,646	\$313,663,386	\$10,797,363
Due from the Central Bank and call loans to banks		136,630,902	4,574,185	151,945,066	5,093,700	96,294,885	3,214,115	109,003,762	3,752,281
Financial assets at fair value through profit or loss	4, 7	199,076,191	6,664,754	244,023,246	8,180,464	188,137,686	6,279,629	146,746,672	5,051,520
Available-for-sale financial assets -net	4, 8	1,375,101,005	46,036,190	1,357,106,776	45,494,696	1,333,389,982	44,505,674	1,302,743,262	44,844,863
Derivative financial assets for hedging	4	921,067	30,836	1,300,914	43,611	1,793,051	59,848	2,362,366	81,321
Securities purchased under agreements to resell	4	38,211,047	1,279,245	12,960,817	434,489	8,644,991	288,551	15,749,244	542,143
Receivables -net	4, 9	134,123,729	4,490,249	169,590,966	5,685,248	135,012,493	4,506,425	109,911,278	3,783,521
Current income tax assets	4	6,532,936	218,712	5,585,301	187,238	4,253,908	141,986	3,597,490	123,838
Assets held for sale -net		-	-	81,950	2,747	-	-	-	-
Loans -net	4, 10	1,777,532,902	59,508,969	1,667,391,682	55,896,469	1,579,703,945	52,727,101	1,521,712,123	52,382,517
Reinsurance assets -net		6,659,756	222,958	5,740,684	192,447	9,989,683	333,434	14,641,999	504,028
Held-to-maturity financial assets -net	4, 11	62,742,329	2,100,513	54,970,153	1,842,781	52,323,584	1,746,448	24,380,985	839,277
Investments accounted for using the equity method -net	4, 12	4,345,561	145,482	3,153,320	105,710	2,267,934	75,699	2,235,874	76,966
Other financial assets -net	4, 13	1,842,622,318	61,688,059	1,724,797,817	57,820,912	1,702,673,745	56,831,567	1,605,300,209	55,259,904
Investment properties -net	4, 14	328,761,736	11,006,419	292,314,571	9,799,349	258,033,804	8,612,610	251,035,215	8,641,487
Property and equipment -net	4, 15	93,456,226	3,128,766	103,394,387	3,466,121	113,176,030	3,777,571	113,460,688	3,905,703
Intangible assets -net	4, 16	9,266,492	310,227	9,223,432	309,200	8,998,270	300,343	9,393,007	323,339
Deferred tax assets -net	4	16,068,321	537,942	15,062,222	504,935	16,311,160	544,431	19,065,855	656,312
Other assets -net		31,730,623	1,062,291	26,963,277	903,898	25,683,628	857,264	24,726,997	851,187
Total assets		\$6,503,097,603	\$217,713,345	\$6,177,272,659	\$207,082,556	\$5,837,866,057	\$194,855,342	\$5,589,730,412	\$192,417,570

(The exchange rates provided by the Federal Reserve Bank of New York on 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013 were NT\$29.87, NT\$29.83, NT\$29.96 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
As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013
(Expressed in thousands of dollars)

	Notes	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
		NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Liabilities & equity									
Liabilities									
Due to the Central Bank and call loans from banks		\$66,777,514	\$2,235,605	\$56,985,225	\$1,910,333	\$46,082,011	\$1,538,118	\$56,934,246	\$1,959,871
Bankers acceptances and funds borrowed		1,495,750	50,075	1,497,500	50,201	1,506,000	50,267	1,456,800	50,148
Financial liabilities at fair value through profit or loss	4, 17	16,839,141	563,748	28,754,621	963,950	29,918,963	998,630	9,086,346	312,783
Derivative financial liabilities for hedging		-	-	5,148	173	-	-	-	-
Securities sold under agreements to repurchase	4	65,279,312	2,185,447	60,931,600	2,042,628	57,979,446	1,935,229	22,046,517	758,916
Commercial paper payable -net	4, 18	12,090,000	404,754	10,050,000	336,909	4,630,000	154,539	5,540,000	190,706
Payables		65,695,591	2,199,384	37,548,440	1,258,747	54,031,335	1,803,449	60,740,926	2,090,910
Current income tax liabilities	4	176,336	5,903	37,003	1,240	89,602	2,991	104	4
Deposits	19	1,626,302,712	54,446,023	1,585,031,001	53,135,468	1,510,325,450	50,411,397	1,458,392,976	50,202,856
Bonds payable	4, 20	107,214,791	3,589,380	92,417,213	3,098,130	100,240,287	3,345,804	89,831,007	3,092,289
Provisions	4, 22	3,583,478,956	119,969,165	3,477,440,832	116,575,288	3,310,147,714	110,485,571	3,175,688,291	109,318,013
Other financial liabilities -net	4, 21	506,753,754	16,965,308	413,414,217	13,859,008	373,640,105	12,471,299	348,229,937	11,987,261
Deferred tax liabilities	4	21,937,681	734,439	18,936,804	634,824	17,362,220	579,513	19,843,268	683,073
Other liabilities		18,182,820	608,732	14,712,855	493,223	13,351,780	445,653	18,548,681	638,509
Total liabilities		6,092,224,358	203,957,963	5,797,762,459	194,360,122	5,519,304,913	184,222,460	5,266,339,099	181,285,339
Equity attributable to owners of parent									
Capital stock									
Common stock	24	119,649,621	4,005,679	119,649,621	4,011,050	108,653,851	3,626,631	108,653,851	3,740,236
Stock dividends to be distributed		5,982,481	200,284	-	-	7,465,770	249,191	-	-
Capital surplus	25	88,782,304	2,972,290	89,063,184	2,985,692	78,508,148	2,620,432	78,508,148	2,702,518
Retained earnings									
Legal reserve		19,784,401	662,350	16,922,773	567,307	16,922,773	564,846	15,222,599	524,014
Special reserve		82,305,614	2,755,461	82,314,780	2,759,463	82,314,780	2,747,489	82,314,780	2,833,555
Undistributed earnings		41,226,013	1,380,181	37,287,956	1,250,015	16,738,943	558,710	16,296,275	560,973
Other equity		47,993,571	1,606,748	30,091,548	1,008,768	11,383,825	379,967	25,823,918	888,947
Treasury stock	4, 27	-	-	-	-	(7,179,872)	(239,649)	(7,179,872)	(247,156)
Non-controlling interests	4, 28	5,149,240	172,389	4,180,338	140,139	3,752,926	125,265	3,751,614	129,144
Total equity		410,873,245	13,755,382	379,510,200	12,722,434	318,561,144	10,632,882	323,391,313	11,132,231
Total liabilities and equity		\$6,503,097,603	\$217,713,345	\$6,177,272,659	\$207,082,556	\$5,837,866,057	\$194,855,342	\$5,589,730,412	\$192,417,570

(The exchange rates provided by the Federal Reserve Bank of New York on 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013 were NT\$29.87, NT\$29.83, NT\$29.96 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 Statements of Comprehensive Income
For the three-month periods ended 30 June 2014 and 2013, and six-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Notes	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Interest income	\$34,943,480	\$1,169,852	\$31,500,917	\$1,051,432	\$69,364,228	\$2,322,204	\$63,397,881	\$2,116,084
Less: Interest expenses	(3,990,471)	(133,595)	(3,192,954)	(106,574)	(7,876,937)	(263,707)	(6,745,829)	(225,161)
Net interest income	30,953,009	1,036,257	28,307,963	944,858	61,487,291	2,058,497	56,652,052	1,890,923
Net income other than interest								
Net commission and handling fee	1,787,539	59,844	1,438,806	48,024	2,010,321	67,302	1,773,446	59,194
Net premiums from insurance business	23,731,425	794,490	41,353,151	1,380,279	61,836,594	2,070,191	85,811,842	2,864,214
Gains (losses) on financial assets and liabilities at fair value through profit or loss	17,771,039	594,946	(10,022,957)	(334,544)	2,823,483	94,526	(30,233,194)	(1,009,119)
Gains from investment properties	18,253,237	611,089	5,114,270	170,703	21,369,289	715,410	6,848,704	228,595
Realized gains on available-for-sale financial assets	8,222,109	275,263	7,273,878	242,786	19,134,637	640,597	12,375,309	413,061
Realized gains (losses) on held-to-maturity financial assets	1,573	53	(888)	(30)	2,855	95	(416)	(14)
(Losses) gains on foreign exchange	(19,997,973)	(669,500)	9,737,010	325,000	(4,556,926)	(152,559)	34,199,896	1,141,518
Impairment losses on assets	-	-	-	-	(7,123)	(238)	-	-
Share of profit of associates and joint ventures accounted for using equity method	37,499	1,256	(7,084)	(235)	67,325	2,254	16,211	541
Net other non-interest gains	650,040	21,762	4,456,806	148,758	2,944,251	98,569	4,603,783	153,665
Subtotal	50,456,488	1,689,203	59,342,992	1,980,741	105,624,706	3,536,147	115,395,581	3,851,655
Total income	81,409,497	2,725,460	87,650,955	2,925,599	167,111,997	5,594,644	172,047,633	5,742,578
Bad debt expenses and provision for premiums reserve	(450,316)	(15,076)	(451,100)	(15,057)	(442,641)	(14,819)	(540,158)	(18,029)
Changes in insurance liabilities and provisions	(46,781,745)	(1,566,178)	(61,707,009)	(2,059,646)	(107,057,816)	(3,584,125)	(125,622,813)	(4,193,018)
Operating expenses								
Employee benefits expenses	(8,427,283)	(282,132)	(8,443,977)	(281,842)	(16,791,391)	(562,149)	(17,040,104)	(568,762)
Depreciation and amortizations expenses	(615,583)	(20,609)	(715,924)	(23,896)	(1,241,133)	(41,551)	(1,414,379)	(47,209)
Other general and administration expenses	(4,448,894)	(148,942)	(3,397,243)	(113,392)	(8,233,799)	(275,655)	(6,439,837)	(214,948)
Subtotal	(13,491,760)	(451,683)	(12,557,144)	(419,130)	(26,266,323)	(879,355)	(24,894,320)	(830,919)
Profit before income tax from continuing operations	20,685,676	692,523	12,935,702	431,766	33,345,217	1,116,345	20,990,342	700,612
Income tax (expense) benefit	(2,437,035)	(81,588)	(2,914,112)	(97,267)	(2,743,368)	(91,844)	(3,749,336)	(125,145)
Net income	18,248,641	610,935	10,021,590	334,499	30,601,849	1,024,501	17,241,006	575,467
Other comprehensive income								
Exchange differences resulting from translating the financial statements of a foreign operation	(667,960)	(22,362)	199,975	6,675	(381,471)	(12,771)	732,167	24,438
Unrealized gains (losses) from available-for-sale financial assets	16,069,265	537,973	(17,415,410)	(581,289)	17,359,627	581,173	(17,447,745)	(582,368)
Losses on cash flow hedges	(99,438)	(3,329)	(192,511)	(6,426)	(175,288)	(5,868)	(392,428)	(13,099)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	13,802	462	(32,060)	(1,070)	20,855	698	(9,657)	(322)
Other comprehensive income - others	-	-	-	-	902,335	30,209	-	-
Income tax relating to the components of other comprehensive income	(292,577)	(9,795)	3,016,677	100,690	194,643	6,516	2,811,183	93,832
Other comprehensive income, net of tax	15,023,092	502,949	(14,423,329)	(481,420)	17,920,701	599,957	(14,306,480)	(477,519)
Total comprehensive income	\$33,271,733	\$1,113,884	\$(4,401,739)	\$(146,921)	\$48,522,550	\$1,624,458	\$2,934,526	\$97,948
Net income attributable to:								
Owners of parent	\$18,168,148	\$608,240	\$9,990,217	\$333,452	\$30,453,228	\$1,019,526	\$17,074,382	\$569,906
Non-controlling interests	80,493	2,695	31,373	1,047	148,621	4,975	166,624	5,561
Subtotal	\$18,248,641	\$610,935	\$10,021,590	\$334,499	\$30,601,849	\$1,024,501	\$17,241,006	\$575,467
Total comprehensive income attributable to:								
Owners of parent	\$33,242,657	\$1,112,911	\$(4,451,590)	\$(148,585)	\$48,355,251	\$1,618,857	\$2,634,289	\$87,927
Non-controlling interests	29,076	973	49,851	1,664	167,299	5,601	300,237	10,021
Subtotal	\$33,271,733	\$1,113,884	\$(4,401,739)	\$(146,921)	\$48,522,550	\$1,624,458	\$2,934,526	\$97,948
Earnings per share (expressed in dollars) :								
Basic earnings per share:								
Net income	\$1.45	\$0.05	\$0.83	\$0.03	\$2.42	\$0.08	\$1.42	\$0.05
Diluted earnings per share:								
Net income	\$1.45	\$0.05	\$0.80	\$0.03	\$2.42	\$0.08	\$1.42	\$0.05

(The exchange rates provided by the Federal Reserve Bank of New York on 30 June 2014 and 2013 were NT\$29.87 and NT\$29.96 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the six-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars)

Items	Equity attributable to owners of parent																														
	Capital stock				Retained earnings								Other equity																		
	Common stock		Stock dividends to be distributed		Capital surplus		Legal reserve		Special reserve		Undistributed earnings		Exchange differences resulting from translating the financial statements of a foreign operation		Unrealized gains from available-for-sale financial assets		Gains on cash flow hedges		Revaluation surplus		Others		Treasury stock		Total		Non-controlling interests		Total equity		
NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$		
Balance on 1 January 2013	\$108,653,851	\$3,626,631	\$-	\$-	\$78,508,148	\$2,620,432	\$15,222,599	\$508,098	\$82,314,780	\$2,747,489	\$16,296,275	\$543,934	\$(1,082,097)	\$36,118	\$25,930,563	\$865,506	\$976,682	\$32,599	\$-	\$-	\$(1,230)	\$(41)	\$(7,179,872)	\$(239,649)	\$319,639,699	\$10,668,881	\$3,751,614	\$125,221	\$323,391,313	\$10,794,102	
Appropriations and distribution for 2012																															
Legal reserve	-	-	-	-	-	-	1,700,174	56,748	-	-	(1,700,174)	(56,748)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	-	-	-	-	-	(7,465,770)	(249,191)	-	-	-	-	-	-	-	-	-	-	-	-	(7,465,770)	(249,191)	-	-	(7,465,770)	(249,191)	
Stock dividend	-	-	7,465,770	249,191	-	-	-	-	-	-	(7,465,770)	(249,191)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net income for the six-month period ended 30 June 2013	-	-	-	-	-	-	-	-	-	-	17,074,382	569,906	-	-	-	-	-	-	-	-	-	-	-	-	17,074,382	569,906	166,624	5,561	17,241,006	575,467	
Other comprehensive income for the six-month period ended 30 June 2013	-	-	-	-	-	-	-	-	-	-	-	-	536,898	17,920	(14,650,326)	(488,996)	(326,665)	(10,903)	-	-	-	-	-	-	(14,440,093)	(481,979)	133,613	4,460	(14,306,480)	(477,519)	
Comprehensive income for the six-month period ended 30 June 2013	-	-	-	-	-	-	-	-	-	-	17,074,382	569,906	536,898	17,920	(14,650,326)	(488,996)	(326,665)	(10,903)	-	-	-	-	-	-	2,634,289	87,927	300,237	10,021	2,934,526	97,948	
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(298,925)	(9,977)	(298,925)	(9,977)	
Balance on 30 June 2013	\$108,653,851	\$3,626,631	\$7,465,770	\$249,191	\$78,508,148	\$2,620,432	\$16,922,773	\$564,846	\$82,314,780	\$2,747,489	\$16,738,943	\$558,710	\$(1545,199)	\$(18,198)	\$11,280,237	\$376,510	\$650,017	\$21,696	\$-	\$-	\$(1,230)	\$(41)	\$(7,179,872)	\$(239,649)	\$314,808,218	\$10,507,617	\$3,752,926	\$125,265	\$318,561,144	\$10,632,882	
Balance on 1 January 2014	\$119,649,621	\$4,005,679	\$-	\$-	\$89,063,184	\$2,981,693	\$16,922,773	\$566,547	\$82,314,780	\$2,755,768	\$37,287,956	\$1,248,341	\$(528,034)	\$(17,678)	\$20,230,491	\$677,285	\$382,306	\$12,799	\$10,007,738	\$335,043	\$(953)	\$(32)	\$-	\$-	\$375,329,862	\$12,565,445	\$4,180,338	\$139,951	\$379,510,200	\$12,705,396	
Appropriations and distribution for 2013																															
Legal reserve	-	-	-	-	-	-	2,861,628	95,803	-	-	(2,861,628)	(95,803)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-	(17,947,443)	(600,852)	-	-	-	-	-	-	-	-	-	-	-	-	(17,947,443)	(600,852)	-	-	(17,947,443)	(600,852)	
Stock dividend	-	-	5,982,481	200,284	-	-	-	-	-	-	(5,982,481)	(200,284)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	-	(9,166)	(307)	9,166	307	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other additional paid-in capital																															
Share of changes in net assets of associates and joint ventures accounted for using the equity method	-	-	-	-	(13,665)	(457)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,665)	(457)	-	-	(13,665)	(457)	
The capital reserve set aside for the first-time adoption of IFRS	-	-	-	-	(267,215)	(8,946)	-	-	-	-	267,215	8,946	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the six-month period ended 30 June 2014	-	-	-	-	-	-	-	-	-	-	30,453,228	1,019,526	-	-	-	-	-	-	-	-	-	-	-	-	30,453,228	1,019,526	148,621	4,975	30,601,849	1,024,501	
Other comprehensive income for the six-month period ended 30 June 2014	-	-	-	-	-	-	-	-	-	-	-	-	(345,738)	(11,575)	17,566,569	588,101	(146,417)	(4,902)	827,609	27,707	-	-	-	-	17,902,023	599,331	18,678	626	17,920,701	599,957	
Comprehensive income for the six-month period ended 30 June 2014	-	-	-	-	-	-	-	-	-	-	30,453,228	1,019,526	(345,738)	(11,575)	17,566,569	588,101	(146,417)	(4,902)	827,609	27,707	-	-	-	-	48,355,251	1,618,857	167,299	5,601	48,522,550	1,624,458	
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	801,603	26,837	801,603	26,837	
Balance on 30 June 2014	\$119,649,621	\$4,005,679	\$5,982,481	\$200,284	\$88,782,304	\$2,972,290	\$19,784,401	\$662,350	\$82,305,614	\$2,755,461	\$41,226,013	\$1,380,181	\$(873,772)	\$(29,253)	\$37,797,060	\$1,265,386	\$235,889	\$7,897	\$10,835,347	\$362,750	\$(953)	\$(32)	\$-	\$-	\$405,724,005	\$13,582,993	\$5,149,240	\$172,389	\$410,873,245	\$13,755,382	

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Cathay Financial Holding Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the six-month periods ended 30 June 2014 and 2013

Items	2014.1.1~2014.6.30		2013.1.1~2013.6.30		Items	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	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	\$33,345,217	\$1,116,345	\$20,990,342	\$700,612	Acquisition of financial assets at fair value through profit or loss	(108,000)	(3,616)	(135,000)	(4,506)
Adjustments :					Disposal of financial assets at fair value through profit or loss	120,009	4,018	383,638	12,805
Income and other adjustments with no cash flow effects					Acquisition of financial assets available for sale	(372,241)	(12,462)	(407,357)	(13,597)
Depreciation expenses	1,096,898	36,722	1,251,756	41,781	Disposal of financial assets available for sale	101,935	3,413	376,805	12,577
Amortizations expenses	144,235	4,829	162,623	5,428	Disposal of bond investments with no active market	-	-	6,250	209
Bad debt expense	442,641	14,819	540,158	18,029	Acquisition of financial assets held to maturity	(358,040)	(11,987)	(129,010)	(4,306)
Net losses on financial assets and liabilities at fair value through profit or loss	275,244	9,215	31,159,342	1,040,031	Disposal of financial assets held to maturity	39,706	1,329	-	-
Interest expenses	7,876,937	263,707	6,745,829	225,161	Disposal of investments accounted for using the equity method	3,742	125	13,067	436
Interest revenue	(69,364,228)	(2,322,204)	(63,397,881)	(2,116,084)	Acquisition of assets held for sale	-	-	(27,368)	(914)
Dividend income	(3,365,058)	(112,657)	(2,484,344)	(82,922)	Disposal of assets held for sale	65,981	2,209	-	-
Net changes in insurance liabilities and provisions	105,805,186	3,542,189	130,748,331	4,364,097	Acquisition of property and equipment	(608,128)	(20,359)	(964,224)	(32,184)
Net changes of other liabilities and provisions	420,894	14,091	3,724,547	124,317	Disposal of property and equipment	55,608	1,862	1,277	43
Revaluation gains on bonds payable	-	-	247,346	8,256	Increase in operating deposit	-	-	(25,000)	(834)
Share of gain of associates and joint ventures accounted for using the equity method	(67,325)	(2,254)	(16,211)	(541)	(Decrease) increase in clearing and settlement funds	(1,241)	(42)	7,615	254
Losses on disposal or scrapping of property and equipment	(31,040)	(1,039)	7,238	242	Increase in guarantee deposits paid	(4,000)	(134)	(14,084)	(470)
Gains on disposal of investment properties	(1,293,645)	(43,309)	-	-	Decrease in guarantee deposits paid	8	1	-	-
Gains on disposal of investments	(17,479,550)	(585,187)	(17,342,064)	(578,841)	Acquisition of intangible assets	(119,263)	(3,993)	(31,107)	(1,038)
Impairment losses on non-financial assets	7,123	238	-	-	Acquisition of investment properties	(10,074,575)	(337,281)	(3,441,359)	(114,865)
Unrealized foreign exchange losses (gains)	(5,488)	(184)	(30,501)	(1,018)	Disposal of investment properties	1,528,483	51,171	-	-
Revaluation gains on investment properties	(16,521,555)	(553,115)	(3,626,837)	(121,056)	Increase in other assets	(902,729)	(30,222)	(2,310,800)	(77,130)
Subtotal	7,941,269	265,861	87,689,332	2,926,880	Dividends received	1,187	40	9,378	313
Changes in operating assets and liabilities					Cash flows from financing activities	(10,631,558)	(355,928)	(6,687,279)	(223,207)
Changes in operating assets					(Decrease) increase in funds borrowed from Central Bank and banks	(1,750)	(58)	3,108,480	103,755
Increase in due from the Central Bank and call loans to banks	(2,635,479)	(88,232)	(5,076,291)	(169,436)	Increase (decrease) in commercial paper payable	2,040,000	68,296	(910,000)	(30,374)
Decrease (increase) in financial assets at fair value through profit or loss	69,867,500	2,339,053	(16,725,831)	(558,272)	Issuance of bank debentures	14,797,577	495,399	10,130,640	338,139
Decrease (increase) in available-for-sale financial assets	14,247,370	476,979	(37,960,273)	(1,267,032)	Increase (decrease) in bills and bonds sold under agreements to repurchase	166,808	5,584	(19,999)	(668)
Decrease in derivative financial assets for hedging	204,558	6,848	176,887	5,904	Decrease in other liabilities	(23,292)	(780)	(187,251)	(6,250)
Decrease (increase) in accounts receivable	38,171,601	1,277,924	(22,410,038)	(747,999)	Net cash flows from financing activities	16,979,343	568,441	12,121,870	404,602
Increase in loans	(110,647,901)	(3,704,315)	(58,762,964)	(1,961,381)	Effects of exchange rate changes on cash and cash equivalents	(216,060)	(7,233)	827,226	27,611
(Increase) decrease in reinsurance contract assets	(937,689)	(31,392)	4,714,589	157,363	Increase (decrease) in cash and cash equivalents	115,857,605	3,878,728	(33,211,548)	(1,108,530)
Increase in financial assets held to maturity	(7,804,604)	(261,286)	(27,916,494)	(931,792)	Cash and cash equivalents at the beginning of periods	453,686,200	15,188,691	397,388,554	13,263,971
Increase in other financial assets	(51,409,910)	(1,721,122)	(66,262,710)	(2,211,706)	Cash and cash equivalents at the end of periods	\$569,543,805	\$19,067,419	\$364,177,006	\$12,155,441
(Increase) decrease in other assets	(4,741,478)	(158,737)	157,513	5,258					
Subtotal	(55,686,032)	(1,864,280)	(230,065,612)	(7,679,093)					
Changes in operating liabilities					The components of cash and cash equivalents				
Increase in due to the Central Bank and call loans from banks	10,455,328	350,028	(11,229,143)	(374,805)	Cash and cash equivalents presented in balance sheet	\$439,314,462	\$14,707,548	\$301,177,278	\$10,052,646
Decrease in financial liabilities at fair value through profit or loss	(35,362,897)	(1,183,893)	(34,335,090)	(1,146,031)	Due from the Central Bank and call loans to banks satisfied the definition of cash and cash equivalents under IAS No.7	92,018,296	3,080,626	54,354,737	1,814,244
Decrease in derivative financial liabilities for hedging	(5,148)	(172)	-	-	Bills sold under agreements to resell satisfied the definition of cash and cash equivalents under IAS No.7	38,211,047	1,279,245	8,644,991	288,551
Increase in securities purchased under agreements to resell	4,180,903	139,970	35,952,928	1,200,031	Cash and cash equivalents at the end of periods	\$569,543,805	\$19,067,419	\$364,177,006	\$12,155,441
Increase (decrease) in payables	8,451,865	282,955	(16,531,396)	(551,782)					
Increase in deposits	41,264,906	1,381,483	52,955,510	1,767,541					
Increase (decrease) in provisions for the liabilities of employee benefits	16,036	537	(133,266)	(4,448)					
(Decrease) increase in reserves for the liabilities	(140,760)	(4,713)	9,770	326					
Increase in other financial liabilities	28,925,289	968,373	3,152,180	105,213					
Increase (decrease) in other liabilities	3,702,400	123,950	(4,460,261)	(148,874)					
Subtotal	61,487,922	2,058,518	25,381,232	847,171					
Subtotal of Changes in operating assets and liabilities	5,801,890	194,238	(204,684,380)	(6,831,922)					
Subtotal of Adjustment	13,743,159	460,099	(116,995,048)	(3,905,042)					
Cash generated from operations	47,088,376	1,576,444	(96,004,706)	(3,204,430)					
Interest received	66,880,893	2,239,066	61,632,386	2,057,156					
Dividends received	3,450,582	115,520	2,536,651	84,668					
Interest paid	(6,724,590)	(225,129)	(6,548,507)	(218,575)					
Income taxes paid	(969,381)	(32,453)	(1,089,189)	(36,355)					
Net cash flows from operating activities	109,725,880	3,673,448	(39,473,365)	(1,317,536)					

English Translation of Financial Statement Originally issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
30 June 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 Depository Shares (GDSs). The Company mainly engages in financial holding business.

As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the total numbers of the employees of the Company and Subsidiaries (the Group) were 43,973, 44,487, 44,677, and 44,678, respectively.

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

The consolidated financial statements of the Group for the six-month periods ended 30 June 2014 and 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 27 August 2014.

3. Newly issued or revised standards and interpretations

(1) International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended, which are recognized by Financial Supervisory Commission (“FSC”) and would be applicable for annual periods beginning on or after 1 January 2015, but not yet adopted by the Group at the date of issuance of the Group’s 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 23 of IFRS 1. Besides, it needs to update the reconciliations in avoidance 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 and SIC-13. 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 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 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 issued by IASB and recognized by FSC so that they are applicable for annual periods beginning on or after 1 January 2015. The Group is still currently determining the potential impact of the standards and interpretations.

- (2) Standards or interpretations issued by IASB but not yet recognized by FSC at the date of issuance of the Group’s financial statements are listed below.

A. 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.

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B. *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.

C. *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.

D. *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.

E. *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.

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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 recognised 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.

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.

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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.

F. *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.

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.

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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.

G. *IFRS 14 “Regulatory Deferral Accounts”*

IFRS 14 permits first-time adopters to continue to recognise 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.

H. *IFRS 11 “Joint Arrangements” (Accounting for Acquisitions of Interests in Joint Operations)*

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments require the entity to apply all of the principles on business combinations accounting in IFRS 3 “Business Combinations”, and other IFRS (that do not conflict with the guidance in IFRS 11), to the extent of its share in a joint operation acquired. The amendment also requires certain disclosure. The amendment is effective for annual periods beginning on or after 1 January 2016.

I. *IAS 16 “Property, Plant and Equipment and IAS 38 “Intangible Assets” — Clarification of Acceptable Methods of Depreciation and Amortization*

The amendment clarified that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, such as selling activities and change in sales volumes or prices. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendment is effective for annual periods beginning on or after 1 January 2016.

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J. IFRS 15 “Revenue from Contracts with Customers”

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The Standard is effective for annual periods beginning on or after 1 January 2017.

K. IAS 16 “Property, Plant and Equipment and IAS 41 “Agriculture” — Agriculture: Bearer Plants

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 *Property, Plant and Equipment*, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, and the produce growing on bearer plants will remain within the scope of IAS 41. The amendment is effective for annual periods beginning on or after 1 January 2016.

L. IFRS 9 “Financial Instruments”

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity’s business model for managing the financial assets and the financial asset’s contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that ‘own credit risk’ adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after 1 January 2018.

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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 six-month periods ended 30 June 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.

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

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If the Group loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	2014.6.30	2013.12.31	2013.6.30	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	2014.6.30	2013.12.31	2013.6.30	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	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.
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.

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Investor	Subsidiary	Business nature	2014.6.30	2013.12.31	2013.6.30	2013.1.1	Notes
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	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.

Cathay Life (China) renamed as Cathay Lujiazui Life Insurance Company Limited with the approval of China Insurance Regulatory Commission on 12 August 2014.

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

Cathay United Bank acquired 70% of the voting shares of SBC Bank by US\$22,500 thousands on 13 December 2012, and acquired remaining 30% of the voting shares for US\$11,418 thousands on 30 September 2013, SBC Bank subsequently became a wholly-owned subsidiary of Cathay United Bank, and renamed as Cathay United Bank (Cambodia) Corporation Limited ("CUBC Bank") on 14 January 2014.

The Board of Cathay United Bank approved that raised capital of CUBC by US\$43,000 thousands, and after that, the paid-in capital is amounted to US\$60,000 thousands. Cathay United Bank had transferred investment US\$43,000 thousands which is presented as "investment accounted for using equity method".

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	2014.6.30 Ownership interest	2013.12.31 Ownership interest	2013.6.30 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.

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

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

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- 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.

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

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency. The Group 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.

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A. Financial assets

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

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

Financial assets at fair value through profit or loss

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

- 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.

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

Available-for-sale financial assets

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

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

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

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.

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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.

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.

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

Other loss events include:

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

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

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

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

Derecognition of financial assets

Financial asset is derecognized when:

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

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

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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.

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.

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Compound instruments

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

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

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

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

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

Financial liabilities

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

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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.

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.

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Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

C. Offsetting of financial instruments

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

D. Fair value of financial instruments

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

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

(9) Derivative financial instrument

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

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

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

(10) Investments accounted for using the equity method

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

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.

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

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

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

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

(11) Property, plant and equipment

Property, plant and equipment 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.

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

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

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

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

(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.

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(13) Leases

Group as a lessee

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

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

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

(14) Intangible assets

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

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

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Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life 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.

Computer software

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

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

(15) Impairment of non-financial assets

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

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

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

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

(16) Provisions

Insurance liabilities

A. Cathay Life

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

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

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a. Unearned premium reserve

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

b. Reserve for claims

It is mainly a reserve for the unpaid claims and unreported claims. The unpaid claims reserve is assessed 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.

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.

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d. Special reserve

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

i. Special capital reserve—Special reserve for major incidents

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

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

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

When the actual amount paid for indemnity minus the offsetting amount from special reserve for major incidents is greater than the anticipated dollar amount need to be paid, the exceeded amount can be used for writing down the special reserve for fluctuation of risks. If the total amount of special reserves for fluctuation of risks is not enough to be written down, special reserve for major incidents for other types of insurance can be used. Also, the type of insurance and total dollar amount written-down should be reported to the authority for inspection purposes. When accumulative dollar amount of special reserve for fluctuation of risks exceeds 30 percent of self-retention earned premium, the exceeded amount will be recovered. To promote the sustainable development of insurance industry, the authority may designate or restrict the use of the recovered amount. The post-tax amount of written-down or recovery determined in accordance with IAS12 *Income Taxes* can be recorded in the special capital reserve for fluctuation of risks under equity.

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For special reserves addressed previously, the balance of the annual reserve net of tax needs to be recorded in special capital reserve under equity.

- (B) Cathay Life sells participating life insurance policy. According to the “Rule Governing application of revenues and expenses related to participating / non-participating policy”, Cathay Life 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 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.

Defined contribution plan

For the defined contribution plan, the Company and 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. The overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

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Defined benefit plan

Post-employment benefit plan that is classified as a defined benefit plan uses the projected unit credit method to measure its obligations and costs based on actuarial assumptions. The Group recognizes all actuarial gains and losses in the period in which they occur in other comprehensive income. Actuarial gains and losses recognized in other comprehensive income are recognized immediately in retained earnings. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

Employee preferential interest rate deposits

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

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

(19) Revenue recognition

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

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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.

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.

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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 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\$2,518,987) thousands as of 1 January 2013 and increases of net income by NT\$9,000,261 (US\$301,314) thousands, other comprehensive income by NT\$10,007,738 (US\$335,043) thousands, and total comprehensive income by NT\$19,007,999 (US\$636,358) thousands for the year ended 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.

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.

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F. Insurance contract liabilities (including investment contract liabilities with discretionary participation feature of financial instruments)

The liabilities for insurance contract and investment contracts with discretionary participation feature of financial instruments are either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows. The main assumptions used relate to mortality, morbidity, investment returns, expenses and surrender rate.

Cathay Life bases are assumptions on the standards published by the Actuarial Institute of the Republic of China, adjusted when appropriate to reflect Cathay Life's unique risk exposure, product characteristics and own experiences from target markets.

Estimates of future investment income from the assets backing such contracts are based on current market returns, as well as expectations about future economic developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. Surrender rates are based on Cathay Life's historical experience.

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

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Petty cash and cash on hand	\$13,803,766	\$462,128	\$14,461,722	\$484,805
Cash in banks	51,441,729	1,722,187	28,536,508	956,638
Time deposits	260,119,188	8,708,376	226,485,422	7,592,538
Cash equivalents	16,530,741	553,423	8,210,983	275,259
Checks for clearance	3,469,684	116,159	3,315,374	111,142
Due from commercial banks	93,949,354	3,145,275	50,656,069	1,698,159
Total	<u>\$439,314,462</u>	<u>\$14,707,548</u>	<u>\$331,666,078</u>	<u>\$11,118,541</u>

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Petty cash and cash on hand	\$13,142,198	\$438,658	\$13,493,296	\$464,485
Cash in banks	59,995,800	2,002,530	67,388,184	2,319,731
Time deposits	188,275,486	6,284,228	185,720,653	6,393,138
Cash equivalents	7,654,362	255,486	25,367,336	873,230
Checks for clearance	7,357,076	245,564	8,326,315	286,621
Due from commercial banks	24,752,356	826,180	13,367,602	460,158
Total	<u>\$301,177,278</u>	<u>\$10,052,646</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

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Common stock	\$12,505,246	\$418,656	\$15,162,795	\$508,307
Funds and beneficiary certificates	30,033,572	1,005,476	42,506,734	1,424,966
Short-term notes	87,499,000	2,929,327	142,879,991	4,789,809
Corporate bonds	8,676,332	290,470	8,166,792	273,778
Government bonds	14,326,565	479,631	7,136,362	239,234
Structured time deposits	12,808,650	428,813	12,434,800	416,856
Negotiable Certificates of Deposit	12,826,066	429,396	-	-
Margin for futures trading-own funds	380,961	12,754	407,066	13,646
Derivative financial instruments	18,522,576	620,106	13,587,578	455,500
Overseas financial instruments	1,497,223	50,125	1,741,128	58,368
Total	\$199,076,191	\$6,664,754	\$244,023,246	\$8,180,464

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Common stock	\$15,377,555	\$513,269	\$13,933,929	\$479,653
Funds and beneficiary certificates	54,815,558	1,829,625	36,983,400	1,273,094
Short-term notes	641,631	21,416	58,526,767	2,014,691
Corporate bonds	4,294,621	143,345	2,996,054	103,134
Government bonds	67,272,892	2,245,424	4,588,851	157,964
Structured time deposits	28,264,391	943,404	18,334,342	631,131
Negotiable Certificates of Deposit	200	7	-	-
Margin for futures trading-own funds	155,794	5,200	170,491	5,869
Derivative financial instruments	15,657,126	522,601	4,603,749	158,477
Overseas financial instruments	1,657,918	55,338	6,609,089	227,507
Total	\$188,137,686	\$6,279,629	\$146,746,672	\$5,051,520

(1) As of 30 June 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\$419,800 (US\$14,012) thousands and NT\$2,950,500 (US\$101,566) thousands. Such repurchase agreements amounting to NT\$463,387 (US\$15,467) 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 30 June 2013 and 1 January 2013 are settled at NT\$463,551 (US\$15,472) thousands and NT\$3,255,003 (US\$112,048) thousands, prior to 31 July 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 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013.

8. Available-for-sale financial assets

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Common stock	\$328,277,621	\$10,990,212	\$301,182,150	\$10,096,619
Funds and beneficiary certificates	18,801,648	629,449	25,805,922	865,100
Collateralized loans obligation and collateralized bonds obligation	3,882,204	129,970	5,704,214	191,224
Government bonds	221,868,712	7,427,811	239,377,149	8,024,712
Corporate bonds	70,424,786	2,357,709	74,735,796	2,505,391
Financial debentures	152,391,892	5,101,838	169,682,258	5,688,309
Overseas financial instruments	588,865,084	19,714,265	550,130,528	18,442,190
Less: Litigation deposits	(44,049)	(1,475)	(37,307)	(1,251)
Less: Securities serving as deposits paid-bonds	(9,366,893)	(313,589)	(9,473,934)	(317,598)
Total	\$1,375,101,005	\$46,036,190	\$1,357,106,776	\$45,494,696

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Common stock	\$274,175,174	\$9,151,374	\$218,513,045	\$7,521,964
Funds and beneficiary certificates	22,961,470	766,405	23,132,131	796,286
Collateralized loans obligation and collateralized bonds obligation	7,160,074	238,988	6,761,735	232,762
Government bonds	231,700,062	7,733,647	228,054,133	7,850,400
Corporate bonds	63,755,999	2,128,037	70,704,273	2,433,882
Financial debentures	194,562,973	6,494,091	200,618,738	6,905,981
Overseas financial instruments	548,643,143	18,312,521	564,482,514	19,431,413
Less: Litigation deposits	(8,101)	(270)	-	-
Less: Securities serving as deposits paid-bonds	(9,560,811)	(319,119)	(9,523,307)	(327,825)
Total	\$1,333,389,982	\$44,505,674	\$1,302,743,262	\$44,844,863

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- (1) As of 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, Cathay United Bank and its subsidiaries sold certain available-for-sale financial assets under repurchase agreements with notional amounts of NT\$18,387,940 (US\$615,599) thousands, NT\$14,414,200 (US\$483,212) thousands, NT\$9,670,100 (US\$322,767) thousands, and NT\$15,936,600 (US\$548,592) thousands, respectively. Such repurchase agreements amounting to NT\$13,731,286 (US\$459,702) thousands, NT\$14,071,807 (US\$471,733) thousands, NT\$10,678,257 (US\$356,417) 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 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013 are settled at NT\$13,738,469 (US\$459,942) thousands, NT\$14,079,632 (US\$471,996) thousands, NT\$10,682,729 (US\$356,566) thousands, and NT\$17,125,290 (US\$589,511) thousands, prior to 31 December 2014, 30 June 2014, 31 December 2013, and 30 June 2013, respectively; as of 30 June 2014 and 31 December 2013, Cathay United Bank and its subsidiaries sold certain available-for-sale financial assets under repurchase agreement with notional amounts of NT\$5,382,159 (US\$180,186) thousands and NT\$1,411,144 (US\$47,306) thousands, but didn’t have repurchase agreements date.
- (2) As of 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, Cathay Securities and its subsidiaries sold certain available-for-sale financial assets under repurchase agreements with notional amounts of NT\$250,000 (US\$8,370) thousands, NT\$250,000 (US\$8,381) thousands, NT\$0 (US\$0) thousands, and NT\$0 (US\$0) thousands, respectively.
- (3) Cathay Life and its subsidiaries recognized an impairment provision 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 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, Cathay Life and its subsidiaries recognized impairment losses amounting to NT\$1,669,430 (US\$55,890) thousands, NT\$1,669,430 (US\$55,965) thousands, NT\$1,673,957 (US\$55,873) thousands, and NT\$1,697,370 (US\$58,429) thousands, respectively.
- (4) Cathay United Bank has recognized accumulated impairment loss for the available-for-sale financial assets in the amount of NT\$163,785 (US\$5,483) thousands, NT\$163,785 (US\$5,491) thousands, NT\$189,435 (US\$6,323) thousands, and NT\$438,311 (US\$15,088) thousands as of 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, respectively, due to the existence of objective impairment evidence.
- (5) Please refer to Note 36 for related information on the above available-for-sale financial assets being pledged as collaterals as of 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013.

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9. Receivable -net

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Notes receivable	\$1,942,205	\$65,022	\$2,540,478	\$85,165
Accounts receivable	58,237,774	1,949,708	52,532,967	1,761,078
Interest receivable	31,959,461	1,069,952	30,143,010	1,010,493
Foreign currency receivable	46,940	1,571	103,526	3,471
Acceptances	1,240,164	41,519	1,378,174	46,201
Factoring receivable	26,663,222	892,642	69,249,723	2,321,479
Others	16,206,446	542,566	15,849,520	531,328
Subtotal	136,296,212	4,562,980	171,797,398	5,759,215
Adjustment for discounts and premiums	(7,088)	(237)	(6,519)	(219)
Less: Allowance for bad debts	(2,165,395)	(72,494)	(2,199,913)	(73,748)
Total	\$134,123,729	\$4,490,249	\$169,590,966	\$5,685,248

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Notes receivable	\$2,536,190	\$84,653	\$3,238,517	\$111,481
Accounts receivable	45,292,467	1,511,764	40,152,466	1,382,185
Interest receivable	30,317,631	1,011,937	28,194,033	970,534
Foreign currency receivable	863,558	28,824	88,657	3,052
Acceptances	1,761,943	58,810	1,639,721	56,445
Factoring receivable	30,033,053	1,002,438	9,151,418	315,023
Others	26,250,425	876,182	29,575,597	1,018,093
Subtotal	137,055,267	4,574,608	112,040,409	3,856,813
Adjustment for discounts and premiums	(6,123)	(204)	(5,602)	(193)
Less: Allowance for bad debts	(2,036,651)	(67,979)	(2,123,529)	(73,099)
Total	\$135,012,493	\$4,506,425	\$109,911,278	\$3,783,521

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

	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$2,199,913	\$73,650	\$2,123,529	\$70,879
Provision (reversal) of doubtful accounts	(135,161)	(4,525)	(175,216)	(5,848)
Write-offs	(175,530)	(5,876)	(203,284)	(6,785)
Debt counseling recoveries	65,223	2,184	69,007	2,303
Recoveries	275,747	9,232	288,888	9,642
Reclassification	(65,223)	(2,184)	(69,007)	(2,303)
Effect of exchange rates change	426	13	2,734	91
Balance, end of the period	\$2,165,395	\$72,494	\$2,036,651	\$67,979

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

Item		Total receivables			
		2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$10,553,905	\$353,328	\$11,250,457	\$377,152
	Collective assessment of impairment	158,090	5,293	172,872	5,795
Objective evidence of impairment does not exist individually	Collective assessment of impairment	125,584,217	4,204,359	160,374,069	5,376,268

Item		Total receivables			
		2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$15,130,083	\$505,009	\$24,591,363	\$846,519
	Collective assessment of impairment	151,262	5,049	140,445	4,835
Objective evidence of impairment does not exist individually	Collective assessment of impairment	121,773,922	4,064,550	87,308,601	3,005,459

Item		Allowance for bad debts			
		2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$91,421	\$3,061	\$62,751	\$2,104
	Collective assessment of impairment	118,198	3,957	128,609	4,311
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,955,776	65,476	2,008,553	67,333

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Item		Allowance for bad debts			
		2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$39,039	\$1,303	\$39,675	\$1,366
	Collective assessment of impairment	113,309	3,782	110,930	3,819
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,884,303	62,894	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

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Inward-outward documentary bills	\$12,498,497	\$418,430	\$6,669,210	\$223,574
Loans	1,780,489,688	59,607,957	1,673,190,609	56,090,869
Overdrafts	875,922	29,325	867,731	29,089
Delinquent accounts	1,879,491	62,922	4,188,586	140,415
Subtotal	1,795,743,598	60,118,634	1,684,916,136	56,483,947
Adjustment for discounts and premiums	926,723	31,025	982,481	32,936
Less: Allowance for bad debts	(19,137,419)	(640,690)	(18,506,935)	(620,414)
Total	\$1,777,532,902	\$59,508,969	\$1,667,391,682	\$55,896,469

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Inward-outward documentary bills	\$1,448,394	\$48,344	\$1,764,969	\$60,756
Loans	1,589,477,393	53,053,318	1,529,906,452	52,664,594
Overdrafts	682,314	22,774	594,231	20,456
Delinquent accounts	4,934,827	164,714	4,532,217	156,014
Subtotal	1,596,542,928	53,289,150	1,536,797,869	52,901,820
Adjustment for discounts and premiums	1,051,057	35,082	1,097,491	37,779
Less: Allowance for bad debts	(17,890,040)	(597,131)	(16,183,237)	(557,082)
Total	\$1,579,703,945	\$52,727,101	\$1,521,712,123	\$52,382,517

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

	2014.1.1~2014.06.30		2013.1.1~2013.06.30	
	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$18,506,935	\$619,583	\$16,183,237	\$540,161
Provision (reversal) of doubtful accounts	617,304	20,666	857,593	28,625
Write-offs	(1,131,444)	(37,879)	(59,923)	(2,000)
Debt counseling recoveries	58,856	1,970	56,846	1,897
Recoveries	1,041,872	34,880	736,076	24,569
Reclassification	65,223	2,184	69,007	2,303
Effect of exchange rates change	(21,327)	(714)	47,204	1,576
Balance, end of the period	\$19,137,419	\$640,690	\$17,890,040	\$597,131

(2) Assessment for loans are showed as followed:

Item		Total loans			
		2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$22,680,506	\$759,307	\$25,525,560	\$855,701
	Collective assessment of impairment	10,435,746	349,372	10,395,734	348,499
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,762,627,346	59,009,955	1,648,994,842	55,279,747

Item		Total loans			
		2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$31,065,619	\$1,036,903	\$31,951,217	\$1,099,870
	Collective assessment of impairment	10,142,297	338,528	4,566,018	157,178
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,555,335,012	51,913,719	1,500,280,634	51,644,772

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Item		Allowance for bad debts			
		2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$5,046,628	\$168,953	\$4,925,984	\$165,135
	Collective assessment of impairment	1,785,125	59,763	1,679,630	56,307
Objective evidence of impairment does not exist individually	Collective assessment of impairment	12,305,666	411,974	11,901,321	398,972

Item		Allowance for bad debts			
		2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$5,375,689	\$179,429	\$4,887,318	\$168,238
	Collective assessment of impairment	1,665,888	55,604	713,956	24,577
Objective evidence of impairment does not exist individually	Collective assessment of impairment	10,848,463	362,098	10,581,963	364,267

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

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Government bonds	\$6,544,896	\$219,113	\$951,287	\$31,890
Corporate bonds	2,696,381	90,270	-	-
Financial debentures	-	-	-	-
Overseas financial instruments	53,501,052	1,791,130	54,018,866	1,810,891
Total	\$62,742,329	\$2,100,513	\$54,970,153	\$1,842,781

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Government bonds	\$956,630	\$31,930	\$962,741	\$33,141
Corporate bonds	-	-	-	-
Financial debentures	200,000	6,676	200,000	6,885
Overseas financial instruments	51,166,954	1,707,842	23,218,244	799,251
Total	\$52,323,584	\$1,746,448	\$24,380,985	\$839,277

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- (1) As of 30 June 2014, 31 December 2013, and 30 June 2013, the held-to-maturity financial assets were sold under repurchase agreements with notional amounts of NT\$42,902,582 (US\$1,436,310) thousands, NT\$42,319,350 (US\$1,418,684) thousands, and NT\$42,559,560 (US\$1,420,546) thousands, respectively. Such repurchase agreements amounting to NT\$39,562,378 (US\$1,324,485) thousands, NT\$39,394,999 (US\$1,320,650) thousands, and NT\$40,760,003 (US\$1,360,481) thousands, were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to 31 July 2014, 31 January 2014, and 31 July 2013 are settled at NT\$39,575,236 (US\$1,324,916) thousands, NT\$39,411,066 (US\$1,321,189) thousands, and NT\$40,772,113 (US\$1,360,885) thousands; as of 30 June 2014, the held-to-maturity financial assets were sold under repurchase agreement with notional amounts of NT\$596,880 (US\$19,983) thousands, but didn’t have repurchase agreements date.
- (2) Please refer to Note 36 for related information on the above held-to-maturity financial assets being pledged as collaterals as of 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013.

12. Investments accounted for using the equity method

Investee	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Investments in subsidiaries exclude from consolidated:				
Cathay Securities Investment Consulting	\$168,825	\$5,652	\$207,884	\$6,969
Seaward Card	40,157	1,344	39,107	1,311
Cathay Insurance (Bermuda)	115,827	3,878	114,759	3,847
Subtotal	324,809	10,874	361,750	12,127
Investments in associates:				
WK Technology Fund VI Co., Ltd	284,141	9,513	280,880	9,416
Vista Technology Venture Capital Corp.	147	5	5,935	199
Omnitek Venture Capital Corp.	-	-	39,704	1,331
Da Sheng Venture Inc.	1,246,489	41,730	-	-
Taiwan Real-estate Management Corp.	96,071	3,216	99,359	3,331
Taiwan Finance Corp.	1,471,839	49,275	1,487,419	49,863
IBT Venture Capital Corp.	21,421	717	29,365	984
Tien-Tai Energy Corp.	43,674	1,462	42,598	1,428
Tien-Tai One Energy Corp.	31,041	1,039	21,107	708
Tien-Tai Management Consulting Co., Ltd.	210	7	150	5
Chi-Chia Energy Corp.	32,400	1,085	-	-
Chao-Yang Energy Corp.	32,400	1,085	-	-
CDBS Cathay Asset Management Co., Ltd.	276,318	9,251	298,036	9,991
Cathay Conning Asset Management Ltd.	77,257	2,586	81,032	2,717
Symphox Information Co., Ltd.	407,344	13,637	405,985	13,610
Subtotal	4,020,752	134,608	2,791,570	93,583
Total	\$4,345,561	\$145,482	\$3,153,320	\$105,710

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Investee	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Investments in subsidiaries exclude from consolidated:				
Cathay Securities Investment Consulting	\$162,195	\$5,414	\$170,659	\$5,875
Seaward Card	38,272	1,278	39,753	1,368
Cathay Insurance (Bermuda)	95,904	3,201	101,761	3,503
Subtotal	296,371	9,893	312,173	10,746
Investments in associates:				
WK Technology Fund VI Co., Ltd	257,056	8,580	279,441	9,619
Vista Technology Venture Capital Corp.	6,617	221	10,532	362
Omnitek Venture Capital Corp.	36,620	1,222	31,694	1,091
Da Sheng Venture Inc.	-	-	-	-
Taiwan Real-estate Management Corp.	95,145	3,176	105,357	3,627
Taiwan Finance Corp.	1,390,231	46,403	1,418,699	48,836
IBT Venture Capital Corp.	45,577	1,521	56,435	1,943
Tien-Tai Energy Corp.	39,678	1,324	-	-
Tien-Tai One Energy Corp.	-	-	-	-
Tien-Tai Management Consulting Co., Ltd.	-	-	-	-
Chi-Chia Energy Corp.	-	-	-	-
Chao-Yang Energy Corp.	-	-	-	-
CDBS Cathay Asset Management Co., Ltd.	-	-	-	-
Cathay Conning Asset Management Ltd.	100,639	3,359	21,543	742
Symphox Information Co., Ltd.	-	-	-	-
Subtotal	1,971,563	65,806	1,923,701	66,220
Total	\$2,267,934	\$75,699	\$2,235,874	\$76,966

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

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Total assets (100%)	\$58,338,641	\$1,953,085	\$49,834,525	\$1,670,618
Total liabilities (100%)	(43,668,471)	(1,461,951)	(40,072,134)	(1,343,350)

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Total assets (100%)	\$46,183,834	\$1,541,516	\$40,808,912	\$1,404,782
Total liabilities (100%)	(38,059,511)	(1,270,344)	(32,986,134)	(1,135,495)

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	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Revenue (100%)	\$709,320	\$23,747	\$560,253	\$18,700
Profit (loss) (100%)	34,301	1,148	(22,041)	(736)

	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Revenue (100%)	\$1,392,532	\$46,620	\$1,209,097	\$40,357
Profit (loss) (100%)	57,430	1,923	57,610	1,923

- (1) There are no public prices at the Group's investment in the associates and the associates are not restricted to issue cash dividends, repay the borrowings or transfer the capital to the investors in the way of advance.
- (2) As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the carrying amount of investments accounted for using the equity method amounted to NT\$4,020,752 (US\$134,608) thousands, NT\$2,791,570 (US\$93,583) thousands, NT\$1,971,563 (US\$65,807) 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\$11,515 (US\$386) thousands and NT\$(15,988) (US\$(534)) thousands for the three-month periods ended 30 June 2014 and 2013, respectively. The share of the profits (losses) of associates and joint ventures accounted for using the equity method amounts to NT\$19,732 (US\$661) thousands and NT\$(19,726) (US\$(658)) thousands for the six-month periods ended 30 June 2014 and 2013, respectively. The share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method amounts to NT\$16,069 (US\$538) thousands and NT\$(26,160) (US\$(873)) thousands for the three-month periods ended 30 June 2014 and 2013, respectively. The share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method amounts to NT\$20,855 (US\$698) thousands and NT\$(6,334) (US\$(211)) thousands for the six-month periods ended 30 June 2014 and 2013, respectively. The carrying amount of investments accounted for under the equity method in investees whose financial statements were unreviewed amounts to NT\$17,482 (US\$585) thousands and NT\$9,067 (US\$303) thousands for three-month periods ended 30 June 2014 and 2013, respectively. The carrying amount of investments accounted for under the equity method in investees whose financial statements were unreviewed amounts to NT\$34,183 (US\$1,144) thousands and NT\$7,046 (US\$235) thousands as of 30 June 2014 and 2013, respectively. As of 30 June 2014 and 2013, the remaining balance of related investments were NT\$2,149,004 (US\$71,945) and NT\$1,707,890 (US\$57,006) thousands, respectively.

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- (3) No investment in the associates was pledged.
- (4) Cathay Life obtained proceeds of NT\$90,297 (US\$3,027) thousands from disposal of 11% shares of Symphox Information during November 2013. The disposal resulted in a decrease of related net carrying amount by NT\$61,155 (US\$2,050) thousands, and the differences between proceeds obtained and net carrying amount was NT\$29,142 (US\$977) thousands, which was recognized under equity. Cathay Venture disposed the investments accounted for using the equity method of Symphox Information's investment of equity in 39.88%, and its proceeds from disposal amount of NT\$327,365 (US\$10,974) thousands, and profit from disposal amount of NT\$109,828 (US\$3,682) thousands.

The Group loses the control of Symphox Information and remaining 49.12% interest investment whose fair value at the date of was NT\$404,431(US\$13,558) thousands and the NT\$131,174 (US\$4,397) thousands profit represented. Although losing control over the subsidiary, the Group does not lose the significant influence. Thus, the Group still keeps the equity method of accounting.

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	\$13,558
Carrying amount of the investment at the date when control is lost	(273,274)	(9,161)
Share of other equity of associates and joint ventures accounted for using equity method turn into profit or loss	17	-
Recognized in profit	<u>\$131,174</u>	<u>\$4,397</u>

- (5) Cathay Securities Investment Trust reinvested CNY\$66,000 (US\$10,594) thousands in COBS Cathay Asset Management Co., Ltd. on August 2013, obtaining 33% of its equity. Such case was approved by MOEAIC. For further information related to investment in Mainland China, please refer to Note 40(9).

13. Other financial assets

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Investments in debt securities with no active market	\$1,362,628,420	\$45,618,628	\$1,305,675,228	\$43,770,540
Separate account product assets	440,594,625	14,750,406	376,252,736	12,613,233
Structured time deposits	38,200,000	1,278,875	40,900,000	1,371,103
Other miscellaneous financial assets	1,199,273	40,150	1,969,853	66,036
Total	<u>\$1,842,622,318</u>	<u>\$61,688,059</u>	<u>\$1,724,797,817</u>	<u>\$57,820,912</u>

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	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Investments in debt securities with no active market	\$1,315,593,975	\$43,911,681	\$1,242,279,799	\$42,763,504
Separate account product assets	351,903,031	11,745,762	329,557,246	11,344,484
Structured time deposits	33,400,000	1,114,820	23,500,000	808,950
Other miscellaneous financial assets	1,776,739	59,304	9,963,164	342,966
Total	\$1,702,673,745	\$56,831,567	\$1,605,300,209	\$55,259,904

Investments in debt securities with no active market

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Preferred stocks	\$8,437,017	\$282,458	\$8,481,017	\$284,312
Corporate bonds	39,997,863	1,339,065	29,000,000	972,175
Overseas financial instruments	987,291,040	33,052,930	987,760,191	33,112,980
Time deposit	326,802,500	10,940,827	280,334,020	9,397,721
Beneficial right of real estate	100,000	3,348	100,000	3,352
Total	\$1,362,628,420	\$45,618,628	\$1,305,675,228	\$43,770,540

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Preferred stocks	\$8,481,017	\$283,078	\$8,481,017	\$291,946
Corporate bonds	23,950,000	799,399	22,949,999	790,017
Overseas financial instruments	841,802,145	28,097,535	781,861,152	26,914,325
Time deposit	441,360,813	14,731,669	428,987,631	14,767,216
Beneficial right of real estate	-	-	-	-
Total	\$1,315,593,975	\$43,911,681	\$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 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, Cathay Life and its subsidiaries recognized impairment losses amounting to NT\$388,895(US\$13,020) thousands, NT\$389,350 (US\$13,052) thousands, NT\$391,560 (US\$13,069) 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\$1,197,925 (US\$40,105) thousands, NT\$1,199,326 (US\$40,205) thousands, NT\$1,116,833 (US\$37,277) thousands, and NT\$1,167,518 (US\$40,190) thousands as of 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, respectively, due to credit deterioration of securitization and financial debentures.

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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\$3,200) thousands, NT\$95,586 (US\$3,204) thousands, NT\$95,586 (US\$3,190) thousands and NT\$106,215 (US\$3,656) thousands as of 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, respectively, due to the default on the convertible bonds.

- (3) As of 30 June 2014, 31 December 2013, and 30 June 2013, certain investments in debt securities with no active market classified as overseas financial instruments with the notional amounts of NT\$10,136,910 (US\$339,368) thousands, NT\$10,739,833 (US\$360,035) thousands, and NT\$9,425,363 (US\$314,598) thousands, respectively, were sold at the price amounted to NT\$3,589,800 (US\$120,181) thousands, NT\$3,803,650 (US\$127,511) thousands, and NT\$4,525,530 (US\$151,052) thousands, respectively, under the repurchase agreement and recorded under “securities sold under agreements to repurchase” account. Abovementioned overseas financial instruments will be settled at the price amounted to NT\$3,591,156 (US\$120,226) thousands, NT\$3,805,024 (US\$127,557) thousands, and NT\$4,527,184 (US\$151,108) thousands, respectively, no later than 31 July 2014, 31 January 2014, and 31 July 2013 under the repurchase agreement accordingly.
- (4) Please refer to Note 36 for related information on the above investments in debt securities with no active market being pledged as collaterals as of 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013.

14. Investment property

	NT\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
1 January 2014	\$227,466,198	\$44,105,099	\$15,570,122	\$5,173,152	\$292,314,571
Additions from acquisitions	-	-	1,914,044	7,742,036	9,656,080
Additions from subsequent expenditure	-	-	418,495	-	418,495
Transfers from (to) property and equipment	5,809,989	4,497,545	-	-	10,307,534
Transfers from (to) investment property under construction and prepayments for buildings and land	7,036,238	5,589,284	(1,602,519)	(11,083,418)	(60,415)
Gains(losses) generated from fair value adjustments	16,651,241	(129,686)	-	-	16,521,555
Impairment	(7,123)	-	-	-	(7,123)
Disposals	(216,439)	(22,533)	-	-	(238,972)
Exchange differences	-	(149,028)	-	(961)	(149,989)
30 June 2014	\$256,740,104	\$53,890,681	\$16,300,142	\$1,830,809	\$328,761,736

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	US\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
1 January 2014	\$7,615,206	\$1,476,568	\$521,263	\$173,189	\$9,786,226
Additions from acquisitions	-	-	64,079	259,191	323,270
Additions from subsequent expenditure	-	-	14,011	-	14,011
Transfers from (to) property and equipment	194,509	150,571	-	-	345,080
Transfers from (to) investment property under construction and prepayments for buildings and land	235,562	187,120	(53,650)	(371,055)	(2,023)
Gains(losses) generated from fair value adjustments	557,457	(4,342)	-	-	553,115
Impairment	(239)	-	-	-	(239)
Disposals	(7,246)	(754)	-	-	(8,000)
Exchange differences	-	(4,989)	-	(32)	(5,021)
30 June 2014	<u>\$8,595,249</u>	<u>\$1,804,174</u>	<u>\$545,703</u>	<u>\$61,293</u>	<u>\$11,006,419</u>

	NT\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
1 January 2013	\$196,322,433	\$45,611,538	\$7,519,477	\$1,581,767	\$251,035,215
Additions from acquisitions	-	-	2,968,105	15,881	2,983,986
Additions from subsequent expenditure	-	-	457,373	-	457,373
Transfers from (to) property and equipment	114,414	(184,021)	-	-	(69,607)
Transfers from (to) investment property under construction and prepayments for buildings and land	5,305	85,295	(85,295)	(5,305)	-
Gains generated from fair value adjustments	3,517,751	109,086	-	-	3,626,837
30 June 2013	<u>\$199,959,903</u>	<u>\$45,621,898</u>	<u>\$10,859,660</u>	<u>\$1,592,343</u>	<u>\$258,033,804</u>

	US\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
1 January 2013	\$6,552,818	\$1,522,414	\$250,984	\$52,796	\$8,379,012
Additions from acquisitions	-	-	99,069	530	99,599
Additions from subsequent expenditure	-	-	15,266	-	15,266
Transfers from (to) property and equipment	3,819	(6,142)	-	-	(2,323)
Transfers from (to) investment property under construction and prepayments for buildings and land	177	2,847	(2,847)	(177)	-
Gains generated from fair value adjustments	117,415	3,641	-	-	121,056
30 June 2013	<u>\$6,674,229</u>	<u>\$1,522,760</u>	<u>\$362,472</u>	<u>\$53,149</u>	<u>\$8,612,610</u>

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	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Rental income from investment properties	\$1,697,295	\$56,823	\$1,511,565	\$50,453
Less: Direct operating expense from investment properties generating rental income	(115,441)	(3,865)	(92,507)	(3,088)
Direct operating expense from investment properties not generating rental income	(31,328)	(1,049)	(32,693)	(1,091)
Total	<u>\$1,550,526</u>	<u>\$51,909</u>	<u>\$1,386,365</u>	<u>\$46,274</u>

	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Rental income from investment properties	\$3,594,015	\$120,322	\$3,262,960	\$108,911
Less: Direct operating expense from investment properties generating rental income	(174,456)	(5,841)	(139,841)	(4,668)
Direct operating expense from investment properties not generating rental income	(50,251)	(1,682)	(49,101)	(1,639)
Total	<u>\$3,369,308</u>	<u>\$112,799</u>	<u>\$3,074,018</u>	<u>\$102,604</u>

- (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 30 June 2014, 31 December 2013, 30 June 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 for rental are valued using comparison approach and direct capitalization method, 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 comparison approach and land development analysis of cost approach. Urban renewal land that building permission obtained and under construction are value based on rental long-held building, hotels, etc. which is received from urban renewal scheme.

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The inputs used are as follows:

	2014.6.30	2013.12.31	2013.6.30	2013.1.1
	Mainly	Mainly	Mainly	Mainly
Direct capitalization rate (Net)	1.5%~4.8%	1.5%~4.8%	1.5%~4.3%	1.5%~4.8%
Discount rate	3.3%~4.2%	3.3%~4.2%	3.3%~4.2%	3.2%~4.2%

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 from Savills Valuation and Professional Services (Kempis Tai, Howard Chang, Sky Liu, Yi-Jun Chen) to evaluate the fair value of investment property based on the “Regulations on Real Estate Appraisal” on 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013.

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

A. Office building have market liquidity and their rent levels are more comparable with similar items from the sane neighborhood. The fair value has been determined by discounted cash flow method.

Net income is based on the current market practices, assuming an annual rent increase of between 0% to 1.5% to extrapolate the total income of the underlying property, excluding losses as a result of idle and other reasons and related operation costs.

According to the ROC Real Estate Appraisers Association Gazette No.5, the house tax has been determined based on the reference tables of current house values assessed for each city/county to estimate the total current house value assessed. House tax is calculated based on the tax rates provided by the House Tax Act.

Land value tax is based on the changes in the announced land values of the underlying property in the past few years, to further extrapolate the announced land value in the future.

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The replacement allowance is based on 0.5% to 1.5% of construction or building cost, according to the ROC Real Estate Appraisers Association Gazette No.5.

The main parameters are as follows:

	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Discounted rates	4.625%	4.625%	4.625%	4.625%

Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the discount rate is determined based on an interest rate not lower than the floating interest rate on a 2-year time deposit of petty cash as posted by the Chunghwa Post Co., Ltd., plus the risk premium.

B. The fair value has been determined by the method of land development analysis. Road space and scenic hillside land had fewer market transactions as their uses are restricted by law, which will not pose significant changes on the market in the near future.

	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Rate of return	18%~20%	18%~20%	18%~20%	18%~20%
Overall capital interest rate	1.29%~2.53%	1.29%~4.16%	1.29%~4.16%	1.29%~4.16%

Some of the roads and scenic land sites are difficult to develop and have no prospects of profits, for which the fair value cannot be reliably measured. The cost model is adopted in accordance with International Accounting Standards No. 16.

- (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.
- (5) Rents from real estate investment are received annually, semiannually, quarterly, monthly or in a lump sum.
- (6) As of 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, no investments in real estate were pledged as collateral.

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15. Property and equipment

NT\$									
Cost:	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	Construction	
								in progress and	prepayment for
								real estate	Total
1 January 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	-	75	138,051	2,602	156,873	23,433	-	287,091	608,125
Transfers	(8,296,664)	(1,178,180)	40,345	18,124	104,125	-	-	(246,625)	(9,558,875)
Disposal	(16,717)	(5,844)	(201,127)	(3,694)	(99,629)	-	-	-	(327,011)
Exchange difference	(152)	(18,037)	(7,941)	(230)	(4,329)	(5,648)	-	(422)	(36,759)
30 June 2014	\$63,883,561	\$43,685,958	\$7,304,895	\$131,475	\$10,532,577	\$416,652	\$423,216	\$808,341	\$127,186,675

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 2014	\$2,417,044	\$1,502,777	\$245,583	\$3,839	\$347,356	\$13,354	\$14,169	\$25,721	\$4,569,843
Additions	-	3	4,622	87	5,252	784	-	9,611	20,359
Transfers	(277,759)	(39,444)	1,350	607	3,486	-	-	(8,256)	(320,016)
Disposal	(560)	(196)	(6,733)	(124)	(3,335)	-	-	-	(10,948)
Exchange difference	(5)	(604)	(266)	(8)	(145)	(189)	-	(14)	(1,231)
30 June 2014	\$2,138,720	\$1,462,536	\$244,556	\$4,401	\$352,614	\$13,949	\$14,169	\$27,062	\$4,258,007

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	\$10,524,820	\$311,353	\$275,652	\$425,810	\$146,360,927
Additions	-	-	423,275	3,102	206,221	22,199	-	309,945	964,742
Transfers	-	1,406,414	45,116	-	75,134	(4,218)	-	(141,231)	1,381,215
Disposal	-	(343)	(379,717)	(3,600)	(37,305)	-	-	-	(420,965)
Reclassification	(126,327)	(27,151)	(139,248)	(21,815)	(8,707)	(11,647)	-	-	(334,895)
Exchange difference	-	179,301	8,805	1,898	8,037	9,231	-	5,535	212,807
30 June 2013	\$76,511,559	\$52,284,324	\$7,293,197	\$103,922	\$10,768,200	\$326,918	\$275,652	\$600,059	\$148,163,831

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US\$									
		Building and	Computer	Transport	Other	Leasehold		Construction	
Cost:	Land	construction	equipment	equipment	equipment	improvement	Leased assets	in progress and	Total
								prepayment for	
								real estate	
1 January 2013	\$2,558,007	\$1,693,127	\$244,825	\$4,150	\$351,296	\$10,392	\$9,201	\$14,213	\$4,885,211
Additions	-	-	14,128	104	6,883	741	-	10,345	32,201
Transfers	-	46,943	1,506	-	2,508	(141)	-	(4,714)	46,102
Disposal	-	(12)	(12,674)	(120)	(1,245)	-	-	-	(14,051)
Reclassification	(4,217)	(906)	(4,648)	(728)	(291)	(388)	-	-	(11,178)
Exchange difference	-	5,985	294	63	268	308	-	185	7,103
30 June 2013	\$2,553,790	\$1,745,137	\$243,431	\$3,469	\$359,419	\$10,912	\$9,201	\$20,029	\$4,945,388

NT\$									
		Building and	Computer	Transport	Other	Leasehold		Construction	
Depreciation and	Land	construction	equipment	equipment	equipment	improvement	Leased assets	in progress and	Total
impairment:								prepayment for	
								real estate	
1 January 2014	\$105,610	\$17,621,797	\$6,214,639	\$85,461	\$8,721,079	\$213,118	\$145,104	\$-	\$33,106,808
Depreciation	-	323,257	208,209	5,175	241,039	23,646	52,749	-	854,075
Transfers	-	86,764	-	-	-	-	-	-	86,764
Disposal	-	(4,161)	(197,868)	(3,694)	(97,813)	-	-	-	(303,536)
Other	-	-	-	-	-	39	-	-	39
Exchange difference	-	(972)	(5,273)	(206)	(2,806)	(4,444)	-	-	(13,701)
30 June 2014	\$105,610	\$18,026,685	\$6,219,707	\$86,736	\$8,861,499	\$232,359	\$197,853	\$-	\$33,730,449

US\$									
		Building and	Computer	Transport	Other	Leasehold		Construction	
Depreciation and	Land	construction	equipment	equipment	equipment	improvement	Leased assets	in progress and	Total
impairment:								prepayment for	
								real estate	
1 January 2014	\$3,535	\$589,950	\$208,056	\$2,861	\$291,968	\$7,135	\$4,858	\$-	\$1,108,363
Depreciation	-	10,821	6,970	174	8,070	792	1,766	-	28,593
Transfers	-	2,905	-	-	-	-	-	-	2,905
Disposal	-	(139)	(6,624)	(124)	(3,275)	-	-	-	(10,162)
Other	-	-	-	-	-	1	-	-	1
Exchange difference	-	(33)	(176)	(7)	(94)	(149)	-	-	(459)
30 June 2014	\$3,535	\$603,504	\$208,226	\$2,904	\$296,669	\$7,779	\$6,624	\$-	\$1,129,241

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Depreciation and impairment:								Construction in progress and prepayment for	Total
	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	real estate	
1 January 2013	\$105,610	\$17,406,773	\$6,290,375	\$89,828	\$8,758,658	\$220,281	\$28,714	\$-	\$32,900,239
Depreciation	-	449,048	260,291	3,846	257,963	20,504	34,457	-	1,026,109
Transfers	-	1,555,854	(362,864)	(3,588)	(14,997)	-	-	-	1,174,405
Disposal	-	(11,737)	(98,190)	(11,712)	(14,627)	(6,118)	-	-	142,384
Reclassification	-	-	-	-	-	-	-	-	-
Exchange difference	-	3,919	12,472	1,419	4,533	7,089	-	-	29,432
30 June 2013	\$105,610	\$19,403,857	\$6,102,084	\$79,793	\$8,991,530	\$241,756	\$63,171	\$-	\$34,987,801

US\$

Depreciation and impairment:								Construction in progress and prepayment for	Total
	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	real estate	
1 January 2013	\$3,525	\$581,001	\$209,959	\$2,998	\$292,345	\$7,352	\$959	\$-	\$1,098,139
Depreciation	-	14,988	8,688	129	8,610	684	1,150	-	34,249
Transfers	-	51,931	(12,112)	(120)	(500)	-	-	-	39,199
Disposal	-	(392)	(3,277)	(391)	(488)	(204)	-	-	(4,752)
Reclassification	-	-	-	-	-	-	-	-	-
Exchange difference	-	131	416	47	151	237	-	-	982
30 June 2013	\$3,525	\$647,659	\$203,674	\$2,663	\$300,118	\$8,069	\$2,109	\$-	\$1,167,817

NT\$

Net book value								Construction in progress and prepayment for	Total
	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	real estate	
30 June 2014	\$63,777,951	\$25,659,273	\$1,085,188	\$44,739	\$1,671,078	\$184,293	\$225,363	\$808,341	\$93,456,226
31 December 2013	\$72,091,484	\$27,266,147	\$1,120,928	\$29,212	\$1,654,458	\$185,749	\$278,112	\$768,297	\$103,394,387
30 June 2013	\$76,405,949	\$32,880,467	\$1,191,113	\$24,129	\$1,776,670	\$85,162	\$212,481	\$600,059	\$113,176,030
1 January 2013	\$76,532,276	\$33,319,330	\$1,044,591	\$34,509	\$1,766,162	\$91,072	\$246,938	\$425,810	\$113,460,688

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Net book value	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	Construction	Total
								in progress and prepayment for real estate	
30 June 2014	\$2,135,185	\$859,032	\$36,330	\$1,497	\$55,945	\$6,170	\$7,545	\$27,062	\$3,128,766
31 December 2013	\$2,416,745	\$914,051	\$37,577	\$979	\$55,463	\$6,227	\$9,323	\$25,756	\$3,466,121
30 June 2013	\$2,550,265	\$1,097,478	\$39,757	\$806	\$59,301	\$2,843	\$7,092	\$20,029	\$3,777,571
1 January 2013	\$2,634,502	\$1,146,965	\$35,958	\$1,188	\$60,797	\$3,135	\$8,500	\$14,658	\$3,905,703

(1) No property and equipment were pledged as collaterals as of 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013.

(2) Components of building the have different useful lives are the main building structures, air conditioning units and elevators, which are depreciated within 5 to 60 years.

16.Intangible assets

Cost:	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
1 January 2014	\$8,579,854	\$287,240	\$3,222,556	\$107,886	\$11,802,410	\$395,126
Addition-individual acquisition	-	-	119,263	3,993	119,263	3,993
Reduction	-	-	(29,831)	(999)	(29,831)	(999)
Transfer	-	-	72,327	2,421	72,327	2,421
Exchange difference	(370)	(13)	(6,521)	(218)	(6,891)	(231)
30 June 2014	\$8,579,484	\$287,227	\$3,377,794	\$113,083	\$11,957,278	\$400,310

Cost:	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
1 January 2013	\$8,571,250	\$286,090	\$3,552,107	\$118,562	\$12,123,357	\$404,652
Addition-individual acquisition	-	-	58,306	1,946	58,306	1,946
Reduction	-	-	(23,958)	(800)	(23,958)	(800)
Transfer	-	-	18,340	612	18,340	612
Reclassification	(307,980)	(10,280)	(20,980)	(700)	(328,960)	(10,980)
Exchange difference	-	-	12,463	416	12,463	416
30 June 2013	\$8,263,270	\$275,810	\$3,596,278	\$120,036	\$11,859,548	\$395,846

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	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Amortization and impairment:						
1 January 2014	\$-	\$-	\$2,578,978	\$86,340	\$2,578,978	\$86,340
Amortization	-	-	145,892	4,884	145,892	4,884
Reduction	-	-	(29,831)	(999)	(29,831)	(999)
Transfer	-	-	-	-	-	-
Exchange difference	-	-	(4,253)	(142)	(4,253)	(142)
30 June 2014	\$-	\$-	\$2,690,786	\$90,083	\$2,690,786	\$90,083

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Amortization and impairment:						
1 January 2013	\$-	\$-	\$2,730,350	\$91,133	\$2,730,350	\$91,133
Amortization	-	-	162,025	5,408	162,025	5,408
Reduction	-	-	(20,086)	(670)	(20,086)	(670)
Transfer	-	-	-	-	-	-
Loss of control of the subsidiary transfers out	-	-	(17,547)	(586)	(17,547)	(586)
Exchange difference	-	-	6,536	218	6,536	218
30 June 2013	\$-	\$-	\$2,861,278	\$95,503	\$2,861,278	\$95,503

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Net Book value:						
30 June 2014	\$8,579,484	\$287,227	\$687,008	\$23,000	\$9,266,492	\$310,227
31 December 2013	\$8,579,854	\$287,625	\$643,578	\$21,575	\$9,223,432	\$309,200
30 June 2013	\$8,263,270	\$275,810	\$735,000	\$24,533	\$8,998,270	\$300,343
1 January 2013	\$8,571,250	\$295,051	\$821,757	\$28,288	\$9,393,007	\$323,339

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

Impairment testing of goodwill:

(1) Key assumptions used in value in use calculations:

The recoverable amount of the unit has been determined based on a value in use calculation, using cash flow projections based on financial budgets approved by the management of the Group covering a five-year period.

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(2) The calculation of value in use for the unit is most sensitive to the following assumptions:

① Discount rates

Discount rates reflect the current market assessment of the risks specific to the unit. Discount rates are calculated by the Capital Assets Pricing Model (CAPM).

② Projected growth rates, used to extrapolate cash flows beyond the budget period:

Assumptions are based on published industry research.

(3) Sensitivity to changes in assumptions:

The Group believes that reasonable possible changes in key assumptions used to determine the recoverable amount segments will not result in an impairment of goodwill.

17. Financial liabilities at fair value through profit or loss

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Derivative financial instruments	\$16,037,058	\$536,895	\$27,290,672	\$914,873
Bond Investment	199,417	6,676	497,002	16,661
Security lending payables hedging	175,366	5,871	147,557	4,947
Security lending payables non-hedging	427,300	14,306	819,390	27,469
Total	\$16,839,141	\$563,748	\$28,754,621	\$963,950

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Derivative financial instruments	\$28,831,501	\$962,333	\$7,582,664	\$261,021
Bond Investment	-	-	-	-
Security lending payables hedging	158,800	5,300	287,312	9,890
Security lending payables non-hedging	928,662	30,997	1,216,370	41,872
Total	\$29,918,963	\$998,630	\$9,086,346	\$312,783

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18. Commercial paper payables

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Commercial paper payable	\$12,090,000	\$404,754	\$10,050,000	\$336,909
Less: Discount on commercial paper payable	-	-	-	-
Total	\$12,090,000	\$404,754	\$10,050,000	\$336,909

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Commercial paper payable	\$4,630,000	\$154,539	\$5,540,000	\$190,706
Less: Discount on commercial paper payable	-	-	-	-
Total	\$4,630,000	\$154,539	\$5,540,000	\$190,706

As of 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, the average interest rates for the commercial paper payables were 0.58%~0.92%, 0.60%~0.97%, 0.68%~0.98%, and 0.74%~0.93%, respectively.

19. Deposits

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Check deposits	\$14,919,646	\$499,486	\$16,080,928	\$539,086
Demand deposits	296,175,835	9,915,495	294,045,326	9,857,369
Demand savings deposits	660,148,403	22,100,716	618,233,159	20,725,215
Time deposits	653,135,500	21,865,936	655,284,136	21,967,286
Remittances	1,923,328	64,390	1,387,452	46,512
Total	\$1,626,302,712	\$54,446,023	\$1,585,031,001	\$53,135,468

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Check deposits	\$13,437,879	\$448,527	\$15,963,648	\$549,523
Demand deposits	263,529,365	8,796,040	249,757,411	8,597,501
Demand savings deposits	585,655,282	19,547,907	577,491,231	19,879,216
Time deposits	646,125,234	21,566,263	613,620,928	21,122,924
Remittances	1,577,690	52,660	1,559,758	53,692
Total	\$1,510,325,450	\$50,411,397	\$1,458,392,976	\$50,202,856

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20. Bonds payable

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subordinated bonds payable-net	\$40,000,000	\$1,339,136	\$40,000,000	\$1,340,932
Convertible bonds	-	-	-	-
Discount on convertible bonds	-	-	-	-
Subordinated financial debentures	66,693,573	2,232,794	51,705,031	1,733,323
Discount on financial debentures	(12,225)	(409)	(16,366)	(548)
Valuation adjustment	533,443	17,859	728,548	24,423
Total	<u>\$107,214,791</u>	<u>\$3,589,380</u>	<u>\$92,417,213</u>	<u>\$3,098,130</u>

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Subordinated bonds payable-net	\$40,000,000	\$1,335,113	\$40,000,000	\$1,376,936
Convertible bonds	7,662,528	255,759	7,412,199	255,153
Discount on convertible bonds	(71,512)	(2,387)	(99,823)	(3,436)
Subordinated financial debentures	51,760,685	1,727,660	41,438,544	1,426,456
Discount on financial debentures	(20,540)	(686)	(23,666)	(815)
Valuation adjustment	909,126	30,345	1,103,753	37,995
Total	<u>\$100,240,287</u>	<u>\$3,345,804</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\$1,848) thousands for the year ended 31 December 2013. Loss on valuation of financial liabilities NT\$1,685,577 (US\$56,506) thousands and loss on disposal of financial liabilities NT\$85,139 (US\$2,854) thousands, which were recorded under “Interest Expenses”, “Losses on valuation of financial liabilities at fair value through profit or loss” and “Losses on disposal of financial liabilities at fair value through profit or loss”, respectively.

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.

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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 (US\$1.19) per share. On 8 November 2013, the Company distributed share dividends NT\$0.678 (US\$0.02) dollars per share, resulting in a decrease in the exercise price of the second Unsecured Euro-Convertible bonds from NT\$35.51 (US\$1.19) dollars to NT\$33.26 (US\$1.11) dollars. As of 28 November 2013, all the bondholders exercise the conversion right and its underlying stock was treasure 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 had bought back the bonds amounting to US\$172,620 thousand in May 2009.
- (3) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$1,200,000 (US\$40,174) thousands with a stated interest rate of 2.95% in September 2008, and the interest is payable quarterly.
- (4) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$1,000,000 (US\$33,478) 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\$93,740) 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\$122,196) 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\$50,218) 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\$128,892) 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\$50,218) 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\$130,566) 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\$83,696) 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\$6,696) 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\$140,609) 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\$187,479) 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\$3,348) 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\$331,436) thousands with a stated interest rate of 1.70% in April 2013, and the interest is payable annually.

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(17) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$3,000,000 (US\$100,435) thousands with a stated interest rate of 1.70% in May 2014, and the interest is payable annually.

(18) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$12,000,000 (US\$401,741) thousands with a stated interest rate of 1.85% in May 2014, and the interest is payable annually.

(19) Each subordinated financial debenture has a lower priority claim on assets and income than other debts. That is, its principal and interest are repayable only after more senior debt with higher priority has been satisfied. These subordinated financial debentures are, however, senior to common stock.

21. Other financial liabilities

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Separate account insurance products-liabilities	\$440,594,625	\$14,750,406	\$376,252,736	\$12,613,233
Principle received from the sale of structured products	65,070,447	2,178,455	36,113,309	1,210,637
Borrowed funds	-	-	31,849	1,068
Other financial liabilities	1,088,682	36,447	1,016,323	34,070
Total	\$506,753,754	\$16,965,308	\$413,414,217	\$13,859,008

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Separate account insurance products-liabilities	\$351,903,031	\$11,745,762	\$329,557,246	\$11,344,483
Principle received from the sale of structured products	20,517,452	684,828	17,340,691	596,926
Borrowed funds	60,919	2,034	85,500	2,943
Other financial liabilities	1,158,703	38,675	1,246,500	42,909
Total	\$373,640,105	\$12,471,299	\$348,229,937	\$11,987,261

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22.Provisions

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Unearned premium reserve	\$24,154,431	\$808,652	\$23,779,676	\$797,173
Reserve for life insurance liabilities	3,411,330,101	114,205,896	3,298,323,062	110,570,669
Special reserve	44,088,771	1,476,022	49,775,293	1,668,632
Reserve for claims	13,224,643	442,739	10,682,607	358,116
Premium deficiency reserve	17,362,866	581,281	19,872,859	666,204
Reserve for insurance contracts with feature of financial instruments	55,603,174	1,861,505	57,596,449	1,930,823
Foreign exchange volatility reserve	10,903,075	365,018	10,482,181	351,397
Reserve for Guarantees	101,915	3,412	24,892	835
Reserve for employee benefits liabilities	5,961,056	199,567	5,959,721	199,790
Contingent liabilities reserve	726,244	24,314	921,412	30,889
Other operating reserve	22,680	759	22,680	760
Total	\$3,583,478,956	\$119,969,165	\$3,477,440,832	\$116,575,288

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Unearned premium reserve	\$23,095,873	\$770,890	\$22,176,220	\$763,381
Reserve for life insurance liabilities	3,128,900,883	104,435,944	2,993,462,480	103,045,180
Special reserve	54,809,101	1,829,409	59,874,744	2,061,093
Reserve for claims	10,515,274	350,977	10,356,844	356,518
Premium deficiency reserve	19,114,603	638,004	17,198,784	592,041
Reserve for insurance contracts with feature of financial instruments	58,842,583	1,964,038	61,350,872	2,111,906
Foreign exchange volatility reserve	7,995,402	266,869	4,270,856	147,017
Reserve for Guarantees	24,892	831	24,892	857
Reserve for employee benefits liabilities	5,883,033	196,363	5,813,917	200,134
Contingent liabilities reserve	966,070	32,246	1,158,682	39,886
Other operating reserve	-	-	-	-
Total	\$3,310,147,714	\$110,485,571	\$3,175,688,291	\$109,318,013

(1) Life insurance subsidiaries

As of 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, the details and changes of insurance contracts and financial instruments with discretionary participation feature are summarized below:

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A. Reserve for life insurance liabilities:

	2014.6.30(NT\$)			2014.6.30(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$2,954,755,528	\$26,615,338	\$2,981,370,866	\$98,920,507	\$891,039	\$99,811,546
Injury insurance	7,932,075	-	7,932,075	265,553	-	265,553
Health insurance	338,786,895	-	338,786,895	11,342,046	-	11,342,046
Annuity insurance	1,249,856	80,822,065	82,071,921	41,843	2,705,794	2,747,637
Investment-linked insurance	1,105,052	-	1,105,052	36,995	-	36,995
Recover from major incident reserve	63,292	-	63,292	2,119	-	2,119
Total	\$3,303,892,698	\$107,437,403	\$3,411,330,101	\$110,609,063	\$3,596,833	\$114,205,896

	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

	2013.6.30(NT\$)			2013.6.30(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$2,670,494,249	\$43,127,513	\$2,713,621,762	\$89,135,322	\$1,439,503	\$90,574,825
Injury insurance	7,886,868	-	7,886,868	263,247	-	263,247
Health insurance	290,460,892	-	290,460,892	9,694,956	-	9,694,956
Annuity insurance	1,225,184	114,522,967	115,748,151	40,894	3,822,529	3,863,423
Investment-linked insurance	1,119,918	-	1,119,918	37,380	-	37,380
Recover from major incident reserve	63,292	-	63,292	2,113	-	2,113
Total	\$2,971,250,403	\$157,650,480	\$3,128,900,883	\$99,173,912	\$5,262,032	\$104,435,944

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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
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

Reserve for life insurance liabilities is summarized below:

	2014.1.1~2014.6.30 (NT\$)			2014.1.1~2014.6.30 (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	\$105,742,728	\$4,679,872	\$110,422,600
Reserve	198,857,468	1,651,938	200,509,406	6,657,431	55,304	6,712,735
Recover	(52,750,374)	(34,356,989)	(87,107,363)	(1,765,998)	(1,150,217)	(2,916,215)
Losses(gains) on foreign exchange	(749,683)	354,679	(395,004)	(25,098)	11,874	(13,224)
Ending balance	\$3,303,892,698	\$107,437,403	\$3,411,330,101	\$110,609,063	\$3,596,833	\$114,205,896

	2013.1.1~2013.6.30 (NT\$)			2013.1.1~2013.6.30 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$2,824,726,608	\$168,735,872	\$2,993,462,480	\$94,283,265	\$5,632,038	\$99,915,303
Reserve	197,398,893	487,710	197,886,603	6,588,748	16,279	6,605,027
Recover	(58,316,107)	(10,960,040)	(69,276,147)	(1,946,466)	(365,822)	(2,312,288)
Losses(gains) on foreign exchange	7,441,009	(613,062)	6,827,947	248,365	(20,463)	227,902
Ending balance	\$2,971,250,403	\$157,650,480	\$3,128,900,883	\$99,173,912	\$5,262,032	\$104,435,944

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B. Unearned premium reserve:

	2014.6.30 (NT\$)			2014.6.30 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$351,133	\$-	\$351,133	\$11,755	\$-	\$11,755
Individual injury insurance	4,680,451	-	4,680,451	156,694	-	156,694
Individual health insurance	6,411,860	-	6,411,860	214,659	-	214,659
Group insurance	1,033,943	-	1,033,943	34,615	-	34,615
Investment-linked insurance	110,627	-	110,627	3,704	-	3,704
Total	12,588,014	-	12,588,014	421,427	-	421,427
Less ceded unearned premium reserve:						
Individual life insurance	60,159	-	60,159	2,014	-	2,014
Individual injury insurance	149,764	-	149,764	5,014	-	5,014
Individual health insurance	59	-	59	2	-	2
Group insurance	175	-	175	6	-	6
Total	210,157	-	210,157	7,036	-	7,036
Net	\$12,377,857	\$-	\$12,377,857	\$414,391	\$-	\$414,391
	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

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	2013.6.30 (NT\$)			2013.6.30 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$301,098	\$-	\$301,098	\$10,050	\$-	\$10,050
Individual injury insurance	4,518,263	-	4,518,263	150,810	-	150,810
Individual health insurance	6,106,947	-	6,106,947	203,837	-	203,837
Group insurance	1,224,962	-	1,224,962	40,887	-	40,887
Investment-linked insurance	110,913	-	110,913	3,702	-	3,702
Total	12,262,183	-	12,262,183	409,286	-	409,286
Less ceded unearned premium reserve:						
Individual life insurance	2,305,405	-	2,305,405	76,950	-	76,950
Individual injury insurance	1,342,093	-	1,342,093	44,796	-	44,796
Individual health insurance	3,051	-	3,051	102	-	102
Group insurance	3,102	-	3,102	104	-	104
Total	3,653,651	-	3,653,651	121,952	-	121,952
Net	\$8,608,532	\$-	\$8,608,532	\$287,334	\$-	\$287,334
	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	\$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

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Unearned premium reserve is summarized below:

	2014.1.1~2014.6.30 (NT\$)			2014.1.1~2014.6.30 (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	\$420,697	\$-	\$420,697
Reserve	12,476,363	-	12,476,363	417,689	-	417,689
Recover	(12,448,283)	-	(12,448,283)	(416,749)	-	(416,749)
Losses(gains) on foreign exchange	(6,273)	-	(6,273)	(210)	-	(210)
Ending balance	12,588,014	-	12,588,014	421,427	-	421,427
Less ceded unearned premium reserve:						
Beginning balance-Net	321,982	-	321,982	10,779	-	10,779
Increase	-	-	-	-	-	-
Decrease	(111,611)	-	(111,611)	(3,737)	-	(3,737)
Losses(gains) on foreign exchange	(214)	-	(214)	(7)	-	(7)
Total	210,157	-	210,157	7,035	-	7,035
Ending balance-Net	\$12,377,857	\$-	\$12,377,857	\$414,392	\$-	\$414,392
	2013.1.1~2013.6.30 (NT\$)			2013.1.1~2013.6.30 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$12,104,776	\$-	\$12,104,776	\$404,031	\$-	\$404,031
Reserve	12,144,732	-	12,144,732	405,365	-	405,365
Recover	(11,999,219)	-	(11,999,219)	(400,508)	-	(400,508)
Exchange	11,894	-	11,894	398	-	398
Ending balance	12,262,183	-	12,262,183	409,286	-	409,286
Less ceded unearned premium reserve:						
Beginning balance-Net	8,384,281	-	8,384,281	279,849	-	279,849
Increase	4,398	-	4,398	147	-	147
Decrease	(4,735,353)	-	(4,735,353)	(158,056)	-	(158,056)
Losses(gains) on foreign exchange	325	-	325	12	-	12
Total	3,653,651	-	3,653,651	121,952	-	121,952
Ending balance-Net	\$8,608,532	\$-	\$8,608,532	\$287,334	-	\$287,334

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C. Reserve for claims:

	2014.6.30 (NT\$)			2014.6.30 (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	\$189,043	\$863	\$189,906	\$6,329	\$29	\$6,358
– Unreported claim	58,729	-	58,729	1,966	-	1,966
Individual injury insurance						
– Reported but not paid claim	107,156	-	107,156	3,587	-	3,587
– Unreported claim	1,161,531	-	1,161,531	38,886	-	38,886
Individual health insurance						
– Reported but not paid claim	139,893	-	139,893	4,683	-	4,683
– Unreported claim	1,819,910	-	1,819,910	60,928	-	60,928
Group insurance						
– Reported but not paid claim	88,223	-	88,223	2,954	-	2,954
– Unreported claim	1,270,801	-	1,270,801	42,544	-	42,544
Investment-linked insurance						
– Reported but not paid claim	16,141	-	16,141	540	-	540
Total	4,851,427	863	4,852,290	162,417	29	162,446
Less ceded reserve for claims:						
Individual injury insurance	16,461	-	16,461	551	-	551
Net	\$4,834,966	\$863	\$4,835,829	\$161,866	\$29	\$161,895
	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						
– 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

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	2013.6.30 (NT\$)			2013.6.30 (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	\$127,508	\$1,027	\$128,535	\$4,256	\$34	\$4,290
– Unreported claim	54,091	-	54,091	1,805	-	1,805
Individual injury insurance						
– Reported but not paid claim	164,567	-	164,567	5,493	-	5,493
– Unreported claim	1,035,479	-	1,035,479	34,562	-	34,562
Individual health insurance						
– Reported but not paid claim	168,241	-	168,241	5,616	-	5,616
– Unreported claim	1,629,472	-	1,629,472	54,388	-	54,388
Group insurance						
– Reported but not paid claim	81,579	-	81,579	2,723	-	2,723
– Unreported claim	1,345,351	-	1,345,351	44,905	-	44,905
Investment-linked insurance						
– Reported but not paid claim	22,887	-	22,887	764	-	764
Total	4,629,175	1,027	4,630,202	154,512	34	154,546
Less ceded reserve for claims:						
Individual injury insurance	770,448	-	770,448	25,716	-	25,716
Individual health insurance	57,035	-	57,035	1,904	-	1,904
Net	\$3,801,692	\$1,027	\$3,802,719	\$126,892	\$34	\$126,926

	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	780,831	-	780,831	26,879	-	26,879
Individual health insurance	523	-	523	18	-	18
Net	\$3,769,103	\$797	\$3,769,900	\$129,746	\$27	\$129,773

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Reserve for claims is summarized below:

	2014.1.1~2014.6.30 (NT\$)			2014.1.1~2014.6.30 (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	\$155,340	\$37	\$155,377
Reserve	4,625,375	863	4,626,238	154,850	29	154,879
Recover	(4,403,009)	(1,091)	(4,404,100)	(147,406)	(37)	(147,443)
Losses(gains) on foreign exchange	(10,932)	-	(10,932)	(366)	-	(366)
Ending balance	4,851,427	863	4,852,290	162,418	29	162,447
Less ceded reserve for claims:						
Beginning balance-Net	16,875	-	16,875	565	-	565
Increase	16	-	16	1	-	1
Decrease	-	-	-	-	-	-
Losses(gains) on foreign exchange	(430)	-	(430)	(15)	-	(15)
Total	16,461	-	16,461	551	-	551
Net	\$4,834,966	\$863	\$4,835,829	\$161,867	\$29	\$161,896
	2013.1.1~2013.6.30 (NT\$)			2013.1.1~2013.6.30 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$4,550,457	\$797	\$4,551,254	\$151,884	\$27	\$151,911
Reserve	4,437,445	1,027	4,438,472	148,112	34	148,146
Recover	(4,380,041)	(797)	(4,380,838)	(146,196)	(27)	(146,223)
Losses(gains) on foreign exchange	21,314	-	21,314	712	-	712
Ending balance	4,629,175	1,027	4,630,202	154,512	34	154,546
Less ceded reserve for claims:						
Beginning balance-Net	781,354	-	781,354	26,080	-	26,080
Increase	54,911	-	54,911	1,833	-	1,833
Decrease	(10,383)	-	(10,383)	(347)	-	(347)
Losses(gains) on foreign exchange	1,601	-	1,601	54	-	54
Total	827,483	-	827,483	27,620	-	27,620
Net	\$3,801,692	\$1,027	\$3,802,719	\$126,892	\$34	\$126,926

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D. Special reserve:

	2014.6.30 (NT\$)				2014.6.30 (US\$)			
	Insurance contract	Financial instruments with discretionary participation		Total	Insurance contract	Financial instruments with discretionary participation		Total
		feature	Other			feature	Other	
Participating policies dividends reserve	\$1,197	\$-	\$-	\$1,197	\$40	\$-	\$-	\$40
Special reserve for revaluation increments of property	-	-	40,436,619	40,436,619	-	-	1,353,754	1,353,754
Others	1738	-	-	1,738	58	-	-	58
Total	\$2,935	\$-	\$40,436,619	\$40,439,554	98	\$-	\$1,353,754	\$1,353,852

	2013.12.31 (NT\$)				2013.12.31 (US\$)			
	Insurance contract	Financial instruments with discretionary participation		Total	Insurance contract	Financial instruments with discretionary participation		Total
		feature	Other			feature	Other	
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

	2013.6.30 (NT\$)				2013.6.30 (US\$)			
	Insurance contract	Financial instruments with discretionary participation		Total	Insurance contract	Financial instruments with discretionary participation		Total
		feature	Other			feature	Other	
Participating policies dividends reserve	\$1,462	\$-	\$-	\$1,462	\$49	\$-	\$-	\$49
Special reserve for revaluation increments of property	-	-	50,436,619	50,436,619	-	-	1,683,465	1,683,465
Others	525	-	-	525	17	-	-	17
Total	\$1,987	\$-	\$50,436,619	\$50,438,606	\$66	\$-	\$1,683,465	\$1,683,531

	2013.1.1 (NT\$)				2013.1.1 (US\$)			
	Insurance contract	Financial instruments with discretionary participation		Total	Insurance contract	Financial instruments with discretionary participation		Total
		feature	Other			feature	Other	
Participating policies dividends reserve	\$1,970	\$-	\$-	\$1,970	\$68	\$-	\$-	\$68
Special reserve for revaluation increments of property	-	-	55,416,619	55,416,619	-	-	1,907,629	1,907,629
Others	517	-	-	517	18	-	-	18
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:

	2014.1.1~2014.6.30 (NT\$)				2014.1.1~2014.6.30 (US\$)			
	Financial instruments with discretionary Insurance participation				Financial instruments with discretionary Insurance participation			
	contract	feature	Other	Total	contract	feature	Other	Total
Beginning balance	\$3,682	\$-	\$45,416,619	\$45,420,301	\$123	\$-	\$1,520,476	\$1,520,599
Reserves for participating policies dividends reserve	584	-	-	584	20	-	-	20
Recover from special reserve for revaluation increments of property (Note)	(1,318)	-	-	(1,318)	(44)	-	-	(44)
Exchange difference	-	-	(4,980,000)	(4,980,000)	-	-	(166,722)	(166,722)
Ending balance	(13)	-	-	(13)	(1)	-	-	(1)
Ending balance	\$2,935	\$-	\$40,436,619	\$40,439,554	\$98	\$-	\$1,353,754	\$1,353,852

	2013.1.1~2013.6.30 (NT\$)				2013.1.1~2013.6.30 (US\$)			
	Financial instruments with discretionary Insurance participation				Financial instruments with discretionary Insurance participation			
	contract	feature	Other	Total	contract	feature	Other	Total
Beginning balance	\$2,487	\$-	\$55,416,619	\$55,419,106	\$83	\$-	\$1,849,687	\$1,849,770
Reserves for participating policies dividends reserve	687	-	-	687	23	-	-	23
Recover from special reserve for revaluation increments of property (Note)	(1,195)	-	-	(1,195)	(40)	-	-	(40)
Exchange difference	-	-	(4,980,000)	(4,980,000)	-	-	(166,222)	(166,222)
Ending balance	8	-	-	8	-	-	-	-
Ending balance	\$1,987	\$-	\$50,436,619	\$50,438,606	\$66	\$-	\$1,683,465	\$1,683,531

Note: According to the regulations authorized by the FSC on 29 January 2014 and 28 January 2013, Cathay Life can recover special reserve for revaluation increments of property by month, and the total recovered amount during the year ended 31 December 2013 is NT\$10 billion.

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E. Premium deficiency reserve:

	2014.6.30 (NT\$)			2014.6.30 (US\$)		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	\$16,547,708	\$-	\$16,547,708	\$553,991	\$-	\$553,991
Individual health insurance	620,154	-	620,154	20,762	-	20,762
Group insurance	997	-	997	33	-	33
Total	\$17,168,859	\$-	\$17,168,859	\$574,786	\$-	\$574,786

	2013.12.31 (NT\$)			2013.12.31 (US\$)		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation 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

	2013.6.30 (NT\$)			2013.6.30 (US\$)		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	\$18,347,795	\$-	\$18,347,795	\$612,410	\$-	\$612,410
Individual health insurance	615,164	-	615,164	20,533	-	20,533
Group insurance	36,360	-	36,360	1,214	-	1,214
Total	\$18,999,319	\$-	\$18,999,319	\$634,157	\$-	\$634,157

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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	\$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

Premium deficiency reserve is summarized below:

	2014.1.1~2014.6.30 (NT\$)			2014.1.1~2014.6.30 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$19,629,253	\$-	\$19,629,253	\$657,156	\$-	\$657,156
Reserve	-	-	-	-	-	-
Recover	(2,528,108)	-	(2,528,108)	(84,637)	-	(84,637)
Losses(gains) on foreign exchange	67,714	-	67,714	2,267	-	2,267
Ending balance	\$17,168,859	\$-	\$17,168,859	\$574,786	\$-	\$574,786

	2013.1.1~2013.6.30 (NT\$)			2013.1.1~2013.6.30 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$17,121,635	\$-	\$17,121,635	\$571,483	\$-	\$571,483
Reserve	2,044,783	-	2,044,783	68,250	-	68,250
Recover	(434,839)	-	(434,839)	(14,514)	-	(14,514)
Losses(gains) on foreign exchange	267,740	-	267,740	8,937	-	8,937
Ending balance	\$18,999,319	\$-	\$18,999,319	\$634,156	\$-	\$634,156

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F. Liability adequacy reserve

	2014.6.30 (NT\$)	2014.6.30 (US\$)
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$3,411,330,101	\$114,205,896
Unearned premium reserve	12,588,014	421,427
Premium deficiency reserve	17,168,859	574,786
Total	\$3,441,086,974	\$115,202,109
Book value of insurance liabilities	\$3,441,086,974	\$115,202,109
Estimated present value of cash flows	\$2,760,883,796	\$92,429,990
Balance of liability adequacy reserve	\$-	\$-
	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	\$-	\$-
	2013.6.30 (NT\$)	2013.6.30 (US\$)
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$3,128,900,883	\$104,435,944
Unearned premium reserve	12,262,183	409,286
Premium deficiency reserve	18,999,319	634,156
Total	\$3,160,162,385	\$105,479,386
Book value of insurance liabilities	\$3,160,162,385	\$105,479,386
Estimated present value of cash flows	\$2,491,538,255	\$83,162,158
Balance of liability adequacy reserve	\$-	\$-

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	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	\$-	\$-

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:

	2014.6.30
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	<p>(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 30 June 2014.</p> <p>(2) Discount rate: Under assets allocation plan on March 2014, 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.</p>

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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: 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.

2013.6.30

Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 30 June 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.

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

	2014.6.30
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 30 June 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: 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.
	2013.6.30
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 30 June 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.

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

Life insurance subsidiaries issues non-investment-linked insurance contract without discretionary participation feature of financial instruments. As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, reserve for insurance contract with feature of financial instruments is summarized below:

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Life insurance	\$55,602,027	\$1,861,467	\$57,595,990	\$1,930,808
Investment-linked insurance	1,147	38	459	15
Total	<u>\$55,603,174</u>	<u>\$1,861,505</u>	<u>\$57,596,449</u>	<u>\$1,930,823</u>

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Life insurance	\$58,842,094	\$1,964,022	\$61,350,872	\$2,111,906
Investment-linked insurance	489	16	-	-
Total	<u>\$58,842,583</u>	<u>\$1,964,038</u>	<u>\$61,350,872</u>	<u>\$2,111,906</u>

	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$57,596,449	\$1,928,237	\$61,350,872	\$2,047,759
Premiums (returned) received	\$509,812	17,068	845,438	28,219
Insurance claim payments	(2,469,199)	(82,665)	(3,019,016)	(100,768)
Net provision of statutory reserve	86,391	2,892	(560,810)	(18,719)
Losses(gains) on foreign exchange	(120,279)	(4,027)	226,099	7,547
Ending balance	<u>\$55,603,174</u>	<u>\$1,861,505</u>	<u>\$58,842,583</u>	<u>\$1,964,038</u>

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.

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(B) Adjustment in foreign exchange volatility reserve:

	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$10,482,181	\$350,928	\$4,270,856	\$142,552
Reserve:				
Compulsory reserve	1,396,083	46,738	1,093,432	36,496
Extra reserve	2,402,714	80,439	3,150,350	105,152
Subtotal	3,798,797	127,177	4,243,782	141,648
Recover	(3,377,903)	(113,087)	(519,236)	(17,331)
Total	\$10,903,075	\$365,018	\$7,995,402	\$266,869

(C) Effects due to foreign exchange volatility reserve:

Item	2014.1.1~2014.6.30					
	Inapplicable amount (1)		Applicable amount (2)		Effects(3)= (2) - (1)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consolidated income	\$30,951,191	\$1,036,197	\$30,601,849	\$1,024,501	\$(349,342)	\$(11,696)
Earnings per share	2.45	0.08	2.42	0.08	(0.03)	-
Foreign exchange volatility reserve	-	-	10,903,075	365,018	10,903,075	365,018
Equity	416,178,330	13,932,987	410,873,245	13,755,381	(5,305,085)	(177,606)

Item	2013.1.1~2013.6.30					
	Inapplicable amount (1)		Applicable amount (2)		Effects(3)= (2) - (1)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consolidated income	\$20,332,380	\$678,651	\$17,241,006	\$575,467	\$(3,091,374)	\$(103,184)
Earnings per share	1.68	0.06	1.42	0.05	(0.26)	(0.01)
Foreign exchange volatility reserve	-	-	7,995,402	266,869	7,995,402	266,869
Equity	321,452,861	10,729,401	318,561,144	10,632,882	(2,891,717)	(96,519)

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(2) Century Insurance subsidiaries

A. Unearned premiums reserve

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

2014.6.30								
Item	Unearned premium reserve				Ceded unearned premium reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
	Fire insurance	\$2,191,509	\$73,368	\$70,877	\$2,373	\$1,068,398	\$35,768	\$1,193,988
Marine insurance	160,856	5,385	17,902	599	124,196	4,158	54,562	1,826
Land and air insurance	3,751,971	125,610	5,859	196	172,645	5,780	3,585,185	120,026
Liability insurance	519,683	17,398	351	12	147,053	4,923	372,981	12,487
Bonding insurance	46,860	1,569	700	24	27,473	920	20,087	673
Other property insurance	1,382,918	46,298	29,255	979	594,635	19,907	817,538	27,370
Accident insurance	1,574,082	52,698	2,871	96	92,676	3,103	1,484,277	49,691
Health insurance	43,908	1,470	-	-	312	10	43,596	1,460
Compulsory automobile liability insurance	1,572,719	52,652	194,096	6,498	528,333	17,688	1,238,482	41,462
Total	\$11,244,506	\$376,448	\$321,911	\$10,777	\$2,755,721	\$92,257	\$8,810,696	\$294,968

2013.12.31								
Item	Unearned premium reserve				Ceded unearned premium reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
	Fire insurance	\$2,026,423	\$67,932	\$54,083	\$1,813	\$964,076	\$32,319	\$1,116,430
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

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2013.6.30

Item	Unearned premium reserve		Ceded unearned premium reserve					
			Assumed reinsurance		Ceded reinsurance		Retained business	
	Direct business		business		business			
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$2,050,860	\$68,453	\$60,949	\$2,035	\$944,449	\$31,524	\$1,167,360	\$38,964
Marine insurance	227,493	7,593	14,679	490	182,550	6,093	59,622	1,990
Land and air insurance	3,349,413	111,796	8,169	273	145,577	4,859	3,212,005	107,210
Liability insurance	543,978	18,157	140	5	171,431	5,722	372,687	12,440
Bonding insurance	31,915	1,065	581	19	16,861	563	15,635	521
Other property insurance	1,320,703	44,082	10,509	351	539,457	18,006	791,755	26,427
Accident insurance	1,553,368	51,848	3,160	105	86,064	2,873	1,470,464	49,080
Health insurance	94,849	3,166	-	-	572	19	94,277	3,147
Compulsory automobile liability insurance	1,375,088	45,898	187,835	6,269	498,279	16,631	1,064,644	35,536
Total	\$10,547,667	\$352,058	\$286,022	\$9,547	\$2,585,240	\$86,290	\$8,248,449	\$275,315

2013.1.1

Item	Unearned premium reserve		Ceded unearned premium reserve					
			Assumed reinsurance		Ceded reinsurance		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

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

Item	2014.1.1~2014.6.30			
	Unearned premium reserve		Ceded unearned premium reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$11,213,469	\$375,409	\$2,495,090	\$83,532
Reserve	11,588,561	387,966	2,760,728	92,425
Recover	(11,207,978)	(375,225)	(2,494,981)	(83,528)
Effects of exchange rate changes	(27,635)	(925)	(5,116)	(172)
Ending balance	<u>\$11,566,417</u>	<u>\$387,225</u>	<u>\$2,755,721</u>	<u>\$92,257</u>

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

B. Claims reserve

a. Claims reserve and ceded claims reserve

Item	2014.6.30							
	Claims reserve				Ceded claims reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	(1)	(2)	(3)	(4)=(1)+(2)-(3)	(1)	(2)	(3)	(4)
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Claims reported but not paid off	\$4,216,036	\$141,146	\$251,184	\$8,409	\$1,392,374	\$46,615	\$3,074,846	\$102,940
Unreported claims	3,496,531	117,058	408,602	13,680	1,116,251	37,370	2,788,882	93,368
Total	<u>\$7,712,567</u>	<u>\$258,204</u>	<u>\$659,786</u>	<u>\$22,089</u>	<u>\$2,508,625</u>	<u>\$83,985</u>	<u>\$5,863,728</u>	<u>\$196,308</u>

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Item	Claims reserve				Ceded claims reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	(1)		(2)		(3)		(4)=(1)+(2)-(3)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Claims reported but not paid off	\$3,886,032	\$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	<u>\$5,675,160</u>	<u>\$190,250</u>	<u>\$366,363</u>	<u>\$12,282</u>	<u>\$1,663,767</u>	<u>\$55,775</u>	<u>\$4,377,756</u>	<u>\$146,757</u>

2013.6.30

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

2013.1.1

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

b. Net changes for claims reserve and ceded claims reserve

2014.1.1 ~ 2014.6.30

Item	NT\$							
	Direct underwriting business		Assumed reinsurance business		Net change for claims reserve (5)=(1)-(2) +(3)-(4)	Ceded reinsurance business		Net change for ceded claims reserve (8)=(6)-(7)
	Reserve	Recover	Reserve	Recover		Reserve	Recover	
	(1)	(2)	(3)	(4)	(6)	(7)	(8)=(6)-(7)	
Claims reported but not paid off	\$4,238,605	\$3,883,229	\$251,184	\$307,234	\$299,326	\$1,401,685	\$1,350,833	\$50,852
Unreported claims	3,507,279	1,787,047	408,616	59,085	2,069,763	1,118,415	312,798	805,617
Total	<u>\$7,745,884</u>	<u>\$5,670,276</u>	<u>\$659,800</u>	<u>\$366,319</u>	<u>\$2,369,089</u>	<u>\$2,520,100</u>	<u>\$1,663,631</u>	<u>\$856,469</u>

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2014.1.1 ~ 2014.6.30								
US\$								
Item	Direct underwriting business		Assumed reinsurance business		Net change for claims reserve	Ceded reinsurance business		Net change for ceded claims reserve
	Reserve	Recover	Reserve	Recover	(5)=(1)-(2)	Reserve	Recover	(8)=(6)-(7)
	(1)	(2)	(3)	(4)	+(3)-(4)	(6)	(7)	
Claims reported but not paid off	\$141,902	\$130,004	\$8,409	\$10,286	\$10,021	\$46,926	\$45,224	\$1,702
Unreported claims	117,418	59,828	13,680	1,978	69,292	37,443	10,472	26,971
Total	\$259,320	\$189,832	\$22,089	\$12,264	\$79,313	\$84,369	\$55,696	\$28,673

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

2013.1.1 ~ 2013.6.30								
US\$								
Item	Direct underwriting business		Assumed reinsurance business		Net change for claims reserve	Ceded reinsurance business		Net change for ceded claims reserve
	Reserve	Recover	Reserve	Recover	(5)=(1)-(2)	Reserve	Recover	(8)=(6)-(7)
	(1)	(2)	(3)	(4)	+(3)-(4)	(6)	(7)	
Claims reported but not paid off	\$128,955	\$137,588	\$8,508	\$9,802	\$(9,927)	\$47,992	\$57,658	\$(9,666)
Unreported claims	56,021	45,665	2,062	1,321	11,097	10,834	9,738	1,096
Total	\$184,976	\$183,253	\$10,570	\$11,123	\$1,170	\$58,826	\$67,396	\$(8,570)

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

2014.6.30						
Claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$1,469,715	\$49,204	\$72,812	\$2,437	\$1,542,527	\$51,641
Marine insurance	474,211	15,876	197,508	6,612	671,719	22,488
Land and air insurance	863,890	28,921	1,009,506	33,797	1,873,396	62,718
Liability insurance	248,096	8,306	401,354	13,437	649,450	21,743
Bonding insurance	20,289	679	3,787	127	24,076	806
Other property insurance	688,172	23,039	259,611	8,691	947,783	31,730
Accident insurance	99,309	3,325	353,596	11,838	452,905	15,163
Health insurance	3,049	102	37,156	1,244	40,205	1,346
Compulsory automobile liability insurance	600,489	20,103	1,569,803	52,555	2,170,292	72,658
Total	\$4,467,220	\$149,555	\$3,905,133	\$130,738	\$8,372,353	\$280,293

2013.12.31						
Claims reserve						
Item	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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2013.6.30						
Claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$893,194	\$29,813	\$35,830	\$1,196	\$929,024	\$31,009
Marine insurance	694,064	23,166	206,714	6,900	900,778	30,066
Land and air insurance	725,951	24,231	643,442	21,476	1,369,393	45,707
Liability insurance	253,333	8,456	310,369	10,359	563,702	18,815
Bonding insurance	19,885	664	2,097	70	21,982	734
Other property insurance	527,258	17,599	166,536	5,558	693,794	23,157
Accident insurance	99,205	3,311	311,628	10,402	410,833	13,713
Health insurance	4,742	158	43,959	1,468	48,701	1,626
Compulsory automobile liability insurance	917,796	30,634	29,069	970	946,865	31,604
Total	\$4,135,428	\$138,032	\$1,749,644	\$58,399	\$5,885,072	\$196,431

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

2014.6.30						
Ceded claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$553,323	\$18,524	\$21,347	\$715	\$574,670	\$19,239
Marine insurance	319,876	10,709	135,633	4,541	455,509	15,250
Land and air insurance	48,765	1,633	235,559	7,886	284,324	9,519
Liability insurance	63,793	2,136	110,114	3,686	173,907	5,822
Bonding insurance	18,230	610	2,873	96	21,103	706
Other property insurance	234,164	7,840	49,797	1,667	283,961	9,507
Accident insurance	8,399	281	24,702	827	33,101	1,108
Health insurance	-	-	(68)	(2)	(68)	(2)
Compulsory automobile liability insurance	145,824	4,882	536,294	17,954	682,118	22,836
Total	\$1,392,374	\$46,615	\$1,116,251	\$37,370	\$2,508,625	\$83,985

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

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	2014.1.1~2014.6.30			
	Claims reserve		Ceded claims reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$6,041,523	\$202,261	\$1,663,767	\$55,700
Reserve	8,405,684	281,409	2,520,100	84,369
Recover	(6,036,595)	(202,096)	(1,663,631)	(55,696)
Effects of exchange rate changes	(38,259)	(1,281)	(11,611)	(388)
Ending balance	<u>\$8,372,353</u>	<u>\$280,293</u>	<u>\$2,508,625</u>	<u>\$83,985</u>

Item	2013.1.1~2013.6.30			
	Claims reserve		Ceded claims reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$5,805,590	\$193,778	\$2,014,316	\$67,233
Reserve	5,858,554	195,546	1,762,430	58,826
Recover	(5,823,512)	(194,376)	(2,019,206)	(67,396)
Effects of exchange rate changes	44,440	1,483	11,385	380
Ending balance	<u>\$5,885,072</u>	<u>\$196,431</u>	<u>\$1,768,925</u>	<u>\$59,043</u>

C. Special reserve

a. Special reserve - Compulsory automobile liability insurance

Item	2014.1.1 ~ 2014.6.30	
	NT\$	US\$
Beginning balance	\$2,225,672	\$74,512
Reserve	-	-
Recover	705,775	23,628
Ending balance	<u>\$1,519,897</u>	<u>\$50,884</u>

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

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b. Special reserve - Non-compulsory automobile liability insurance

2014.1.1 ~ 2014.6.30						
Liability						
Item	Major incidents		Fluctuation of risks		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Beginning balance	\$543,080	\$18,181	\$1,586,240	\$53,105	\$2,129,320	\$71,286
Reserve	-	-	-	-	-	-
Recover	-	-	-	-	-	-
Ending balance	<u>\$543,080</u>	<u>\$18,181</u>	<u>\$1,586,240</u>	<u>\$53,105</u>	<u>\$2,129,320</u>	<u>\$71,286</u>

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

“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 reserves do not have material impact on the Cathay Century profit and earnings per share. The special reserve under liabilities increased NT\$1,277,740 (US\$42,777) thousands and special earnings capital under equity decreased NT\$483,402 (US\$16,184) thousands.

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D. Premiums deficiency reserve

a. Premiums deficiency reserve and ceded premium deficiency reserve

2014.6.30								
Item	Premiums deficiency reserve				Ceded premiums deficiency reserve		Retained business	
	Direct business		Assumed reinsurance business		Ceded reinsurance business			
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$1,192	\$40	\$14	\$1	\$-	\$-	\$1,206	\$41
Marine insurance	201	7	-	-	(3,342)	(111)	3,543	118
Land and air insurance	-	-	393	13	(350)	(12)	743	25
Liability insurance	17,886	599	13	-	3,469	116	14,430	483
Bonding insurance	49	1	-	-	6	-	43	1
Other property insurance	128,017	4,286	64	2	25,867	866	102,214	3,422
Accident insurance	-	-	46	2	-	-	46	2
Health insurance	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	46,132	1,544	-	-	-	-	46,132	1,544
Total	\$193,477	\$6,477	\$530	\$18	\$25,650	\$859	\$168,357	\$5,636

2013.12.31								
Item	Premiums deficiency reserve				Ceded premiums deficiency reserve		Retained business	
	Direct business		Assumed reinsurance business		Ceded reinsurance business			
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$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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2013.6.30

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

2013.1.1

Item	Premiums deficiency reserve				Ceded premiums deficiency reserve		Retained business	
	Direct business		Assumed reinsurance business		Ceded reinsurance business			
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
	Fire insurance	\$6,198	\$213	\$23	\$1	\$-	\$-	\$6,221
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

2014.1.1 ~ 2014.6.30									
NTS									
Item	Direct underwriting business		Assumed reinsurance business		Net change for premiums deficiency reserve (5)=(1)-(2)+(3)-(4)	Ceded reinsurance business		Net change for ceded premiums deficiency reserve (8)=(6)-(7)	Recognized net loss (gain) for premiums deficiency reserve (9)=(5)-(8)
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)		Reserve (6)	Recover (7)		
Fire insurance	\$1,216	\$4,213	\$14	\$91	\$(3,074)	\$-	\$-	\$-	\$(3,074)
Marine insurance	205	159	-	2	44	(3,341)	(8,736)	5,395	(5,351)
Land and air insurance	-	-	393	377	16	(350)	(329)	(21)	37
Liability insurance	18,255	27,369	13	12	(9,113)	3,541	3,466	75	(9,188)
Bonding insurance	49	10,288	-	-	(10,239)	5	9,698	(9,693)	(546)
Other property insurance	130,654	160,218	66	422	(29,920)	26,400	-	26,400	(56,320)
Accident insurance	-	-	48	97	(49)	-	-	-	(49)
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	47,083	39,096	-	-	7,987	-	-	-	7,987
Total	\$197,462	\$241,343	\$534	\$1,001	\$(44,348)	\$26,255	\$4,099	\$22,156	\$(66,504)

2014.1.1 ~ 2014.6.30									
US\$									
Item	Direct underwriting business		Assumed reinsurance business		Net change for premiums deficiency reserve (5)=(1)-(2)+(3)-(4)	Ceded reinsurance business		Net change for ceded premiums deficiency reserve (8)=(6)-(7)	Recognized net loss (gain) for premiums deficiency reserve (9)=(5)-(8)
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)		Reserve (6)	Recover (7)		
Fire insurance	\$41	\$142	\$1	\$3	\$(103)	\$-	\$-	\$-	\$(103)
Marine insurance	7	5	-	-	2	(112)	(293)	181	(179)
Land and air insurance	-	-	13	13	-	(12)	(11)	(1)	1
Liability insurance	611	916	-	-	(305)	119	116	3	(308)
Bonding insurance	1	344	-	-	(343)	-	325	(325)	(18)
Other property insurance	4,374	5,364	2	14	(1,002)	884	-	884	(1,886)
Accident insurance	-	-	2	3	(1)	-	-	-	(1)
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	1,576	1,309	-	-	267	-	-	-	267
Total	\$6,610	\$8,080	\$18	\$33	\$(1,485)	\$879	\$137	\$742	\$(2,227)

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2013.1.1 ~ 2013.6.30

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

2013.1.1 ~ 2013.6.30

Item	US\$								Net change for ceded premiums deficiency reserve	Recognized net loss (gain) for premiums deficiency reserve
	Direct underwriting business		Assumed reinsurance business		Net change for premiums deficiency reserve	Ceded reinsurance business		(8)=(6)-(7)		
	Reserve	Recover	Reserve	Recover		Reserve	Recover			
	(1)	(2)	(3)	(4)	(5)=(1)-(2)+ (3)-(4)	(6)	(7)	(9)=(5)-(8)		
Fire insurance	\$121	\$210	\$2	\$1	\$(88)	\$2	\$-	\$2	\$(90)	
Marine insurance	11	311	-	24	(324)	(651)	(240)	(411)	87	
Land and air insurance	-	-	7	311	(304)	-	-	-	(304)	
Liability insurance	582	445	1	-	138	7	-	7	131	
Bonding insurance	296	74	-	-	222	292	70	222	-	
Other property insurance	2,026	1,215	11	15	807	21	1	20	787	
Accident insurance	-	-	5	7	(2)	-	-	-	(2)	
Health insurance	-	-	-	-	-	-	-	-	-	
Compulsory automobile liability insurance	687	-	-	-	687	-	-	-	687	
Total	\$3,723	\$2,255	\$26	\$358	\$1,136	\$(329)	\$(169)	\$(160)	\$1,296	

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

Item	2014.1.1 ~ 2014.6.30			
	Premiums deficiency reserve		Ceded premiums deficiency reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$243,606	\$8,156	\$4,118	\$138
Reserve	197,996	6,628	26,255	879
Recover	(242,344)	(8,113)	(4,099)	(137)
Effects of exchange rate changes	(5,251)	(176)	(624)	(21)
Ending balance	<u>\$194,007</u>	<u>\$6,495</u>	<u>\$25,650</u>	<u>\$859</u>

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

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23. Post-employment benefits

(1) Defined contribution plans

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

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

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

The Group recognized expenses for defined contribution plan amounted to NT\$310,758 (US\$10,404) thousands, NT\$321,481 (US\$10,730) thousands, NT\$621,958 (US\$20,822) thousand and NT\$641,929 (US\$21,426) thousands for the three-month and six-month periods ended 30 June 2014 and 2013, respectively, and recorded as "Employee benefits expenses".

(2) Defined benefit plans

The Group recognized expenses for defined benefit plans amounted to NT\$105,296 (US\$3,525) thousands, NT\$143,589 (US\$4,793) thousands, NT\$210,326 (US\$7,041) thousand and NT\$287,443 (US\$9,594) thousands for the three-month and six-month periods ended 30 June 2014 and 2013, respectively, and 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".

Cathay United Bank recognized expenses for preferential interest rate deposits plan amounted to NT\$76,042 (US\$2,546) thousands, NT\$71,944 (US\$2,401) thousands, NT\$152,730 (US\$5,113) thousands and NT\$143,282 (US\$4,782) thousands for the three-month and six-month periods ended 30 June 2014 and 2013, respectively, and recorded as "Employee benefits expenses".

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24.Common stock

- (1) As of 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, the authorized share capital amounted to NT\$120,000,000 (US\$4,017,409) thousands, and the issued share capital amounted NT\$125,632,102 (US\$4,205,963) thousands, NT\$119,649,621 (US\$4,011,050) thousands, NT\$116,119,621 (US\$3,875,822) thousands, and NT\$108,653,851 (US\$3,740,236) thousands, with 12,563,210 thousand shares, 11,964,962 thousand shares, 11,611,962 thousand shares and 10,865,385 thousand shares, respectively. These shares are common stock with par value of NT\$10 (US\$0.33). The Company was approved by the Financial Supervisory Commission to change the capital to NT\$180,000,000 (US\$6,026,113) on 20 August 2014.
- (2) The Company increased its capital by NT\$5,982,481 (US\$200,284) thousands, resolving 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 6 June 2014 with 598,248 thousand shares, NT\$10 (US\$0.33). The recapitalization was approved by the Financial Supervisory Commission on 20 August 2014 and the recapitalization record date was 4 August 2014.
- (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 board of directors 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\$1.21) on 12 July 2013. The authorized share capital amounted to NT\$12,708,000 (US\$425,444) thousands, and the recapitalization record date was 9 September 2013.
- (4) The recapitalization of undistributed earnings of NT\$7,465,770 (US\$249,942) 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. The recapitalization was 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 Depository Shares (GDSs).

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25.Capital surplus

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Additional paid-in capital	\$84,858,972	\$2,840,943	\$85,126,187	\$2,853,711
Treasury share transactions	2,539,377	85,014	2,539,377	85,128
Differences between share price and book value				
from acquisition or disposal of subsidiaries	29,142	976	29,142	977
Additional paid-in capital-Employee stock option	203,408	6,810	203,408	6,819
Convertible bonds to convert	1,144,486	38,315	1,144,486	38,367
Others	6,919	232	20,584	690
Total	\$88,782,304	\$2,972,290	\$89,063,184	\$2,985,692

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Additional paid-in capital	\$75,948,187	\$2,534,986	\$75,948,187	\$2,614,395
Treasury share transactions	2,539,377	84,759	2,539,377	87,414
Differences between share price and book value				
from acquisition or disposal of subsidiaries	-	-	-	-
Additional paid-in capital-Employee stock option	-	-	-	-
Convertible bonds to convert	-	-	-	-
Others	20,584	687	20,584	709
Total	\$78,508,148	\$2,620,432	\$78,508,148	\$2,702,518

(1) The capital surplus of the Company consists of consolidation premium from share exchange, additional paid-in capital from issuance of shares for cash accumulated adjustments on paid-in capital from investment under equity method, and transactions of treasury stocks and employee stock options. Capital surplus were NT\$88,782,304 (US\$2,972,290) thousands, NT\$89,063,184 (US\$2,985,692) thousands, NT\$78,508,148 (US\$2,620,432) thousands, and NT\$78,508,148 (US\$2,702,518) thousands as of 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, respectively. 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\$8,946) thousands and were included in the capital surplus as of 31 December 2013, 30 June 2013, and 1 January 2013.

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- (2) According to the Letter Taiwan-Finance-Securities (VI) No. 0910003413 issued by Ministry of Finance on 11 June 2002, capital surplus of financial holding companies from the share exchange, in compliance with Item 4 of Article 47 of the Financial Holding Company Act, is allowed to be distributed as cash dividends or to be capitalized if the capital surplus was from the financial institution's undistributed earnings before the share exchange. In addition, the capitalization amount is not restricted to the article 72-1 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers".
- (3) According to the Company Act, the capital surplus shall not be used except for covering the deficit of the company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

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 which exceeds 25% of the issued share capital may be used for new share issuance or return cash to shareholders with the approval of stockholders' meeting.

On 6 June 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\$95,803) thousands. On 14 June 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\$56,748) thousands.

- (2) Special reserve

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

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- B. Cathay United Bank, Cathay Securities and Cathay Futures have reclassified appropriated trading losses reserve and default losses reserve as of 31 December 2010 as special reserve according to the relevant regulation. The special reserve can only be used to offset the accumulated deficit or be transferred to capital stock (limited to 50% of the special reserve) once the legal reserve reaches one-half of the paid-in capital. The Company appropriated to the special reserve an amount of NT\$333,598 (US\$11,168) thousands during the year ended 31 December 2011.
- C. In accordance with IFRS 4, provisions for possible claims under contracts that are not in existence at the reporting date are prohibited. Based on the “Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the reserves under liability recorded before 31 December 2012 should be reclassified to special capital reserve considering the reclassification of balance after tax according to IAS 12 to retained earnings on 1 January 2013. In addition, in order to maintain the consistency and sustainability, the amount should be adjusted retrospectively to 1 January 2012. As of 1 January 2012, the “Special Reserve for Major Incidents” and “Special Reserve for Fluctuation of Risks” amounted to NT\$9,022,812 (US\$302,069) thousands. Half of this amount was set aside to be reclassified as the opening balance of foreign exchange volatility reserve on 1 March 2012, and the rest of it in the amount of NT\$4,511,405 (US\$151,035) thousands after deducting the effect of income tax was diverted to special capital reserve under retained earnings, an increase of NT\$3,744,467 (US\$125,527) thousands. The Company has appropriated to the special reserve an amount of NT\$3,744,467 (US\$125,527) thousands during the year ended 31 December 2013.
- 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\$100,387) 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\$100,387) thousands during the year ended 31 December 2013.

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- E. In 2014, the Group 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, the group 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\$2,522,365) thousands on 31 December 2013. The group also reclassified NT\$9,166 (US\$307) of special reserve to undistributed earnings due to the group's reclassification of relevant assets which are used, disposed of, reclassified by Cathay Bank for the six-month period ended June 30 2014. As of 30 June 2014, 31 December 2013, 30 June 2013, 1 January 2013, the special reserves amounted to NT\$75,232,984 (US\$2,518,680) thousands, NT\$75,242,150 (US\$2,522,365) thousands, NT\$75,242,150 (US\$2,511,420) thousands, NT\$75,242,150 (US\$2,590,091) thousands, respectively
- F. 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\$56,389) thousands after recognizing special capital reserves of NT\$14,144,966 (US\$473,551) thousands, among which special reserves for major incidents and special reserves for fluctuation of risks in the amount of NT\$1,439,845 (US\$48,204) 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.
- G. Cathay Century's special reserves for major incidents and special reserve for fluctuation of risks shall be recorded as special reserve at the end of year. As of 30 June 2014, the reserves amounted to NT\$1,364,645 (US\$45,686) thousands.

(3) Undistributed earnings

- A. According to Article 30 of the Company's Articles of Incorporation, the Company's annual earnings, after paying tax and offsetting deficits, if any, shall be appropriated as legal capital reserve and special capital reserve. The total remaining amount plus beginning undistributed earnings are the distributable earnings. The distributable earnings must be appropriated in accordance with the resolution by the stockholders' meeting, and 0.01%~0.05% of the aforementioned amount shall be distributed as the employee bonus.
- B. The Company cannot distribute overdue undistributed earnings. Before 2004, the Company has to pay an extra 10% income tax on approved taxable income. From (including) 2005, the calculation of extra 10% income tax should be based on current-year net income (after tax) generated according to Business Entity Accounting Act. Earnings that have been taxed will not be taxed again if the earnings are not distributed in the following years.

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- C. According to Article 41 of Securities and Exchange Act, when distributing earnings, listed companies shall appropriate, in addition to legal reserve, special reserve equal to net deductions from shareholders' equity. The special reserve for the current year's net deductions shall be appropriated from current year's net income and prior periods' accumulated undistributed earnings. The special reserve for the prior periods' net deductions shall be appropriated only from prior periods' accumulated undistributed earnings. For any subsequent reversal of net deductions from shareholders' equity, the amount reversed may be distributed.
- D. The employee bonus and remuneration of directors for the six-month periods ended 30 June 2014 and 2013, amounting to NT\$1,050 (US\$35) thousands and NT\$1,650 (US\$55) thousands, respectively, were accrued based on the average of actual distribution in the past three years and recognized as operating costs or expenses. The difference between the actual distribution and the estimated amount will be adjusted in the following fiscal year.
- E. Details of the year ended 31 December 2013 and 2012 earnings distribution and dividends per share as approved by the shareholders' meeting on 6 June 2014 and 14 June 2013, respectively, are as follows:

	NT \$			
	Appropriation of earnings		Dividend per share	
	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	-	-

	US \$			
	Appropriation of earnings		Dividend per share	
	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 year ended 31 December 2012's earnings and the estimated amount in the financial statements for the year ended 31 December 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.

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27. Treasury stock

As of 30 June 2014, 31 December 2013, 30 June 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\$239,649) 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. Please refer to Note 20 for the change in treasury stock for the year ended 31 December 2013.

28. Non-controlling interests

	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$4,180,338	\$139,951	\$3,751,614	\$125,221
Net income attributed to non-controlling interests	148,621	4,975	166,624	5,561
Other comprehensive income attributed to non-controlling interests:				
Exchange differences resulting from translating the financial statements of a foreign operation	(28,899)	(967)	136,918	4,570
Unrealized gains from available-for-sale financial assets	47,577	1,593	(3,305)	(110)
The movement of non-controlling interests	801,603	26,837	(298,925)	(9,977)
Ending balance	\$5,149,240	\$172,389	\$3,752,926	\$125,265

29. Employee benefits, depreciation and amortization

Summary statement of employee benefits and depreciation expenses breakdown:

	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Employee benefits expense				
Salary and wages	\$6,693,915	\$224,102	\$6,669,432	\$222,611
Labor and health insurance	747,572	25,028	836,299	27,914
Pension expense	437,766	14,656	486,268	16,231
Other employee benefits	548,030	18,347	451,978	15,086
Depreciation	542,330	18,156	624,657	20,850
Amortization	73,253	2,452	91,267	3,046
	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Employee benefits expense				
Salary and wages	\$13,239,573	\$443,240	\$13,260,135	\$442,595
Labor and health insurance	1,568,460	52,510	1,811,583	60,467
Pension expense	877,083	29,363	973,439	32,491
Other employee benefits	1,106,275	37,036	994,947	33,209
Depreciation	1,096,898	36,722	1,251,756	41,781
Amortization	144,235	4,829	162,623	5,428

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30. The Components of other comprehensive income

For the three-month periods ended 30 June 2014

	NT\$				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	\$ (667,960)	\$-	\$ (667,960)	\$ 55,172	\$ (612,788)
Unrealized gains(losses) from available-for-sale financial assets	20,577,242	(4,507,977)	16,069,265	(363,875)	15,705,390
Gains(losses) on cash flow hedges	32,370	(131,808)	(99,438)	16,126	(83,312)
Gains from revaluation	-	-	-	-	-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	13,815	(13)	13,802	-	13,802
Total	\$ 19,955,467	\$ (4,639,798)	\$ 15,315,669	\$ (292,577)	\$ 15,023,092

	US\$				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	\$ (22,362)	\$-	\$ (22,362)	\$ 1,847	\$ (20,515)
Unrealized gains(losses) from available-for-sale financial assets	688,893	(150,920)	537,973	(12,182)	525,791
Gains(losses) on cash flow hedges	1,084	(4,413)	(3,329)	540	(2,789)
Gains from revaluation	-	-	-	-	-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	462	-	462	-	462
Total	\$ 668,077	\$ (155,333)	\$ 512,744	\$ (9,795)	\$ 502,949

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For the three-month periods ended 30 June 2013

	NT\$				
	Arising during the period	Reclassification	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
		adjustments during the period			
Exchange differences resulting from translating the financial statements of a foreign operation	\$199,975	\$-	\$199,975	\$(13,115)	\$186,860
Unrealized gains(losses) from available-for-sale financial assets	(12,222,353)	(5,193,057)	(17,415,410)	2,997,870	(14,417,540)
Gains(losses) on cash flow hedges	(11,579)	(180,932)	(192,511)	31,922	(160,589)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(32,060)	-	(32,060)	-	(32,060)
Total	\$(12,066,017)	\$(5,373,989)	\$(17,440,006)	\$3,016,677	\$(14,423,329)

	US\$				
	Arising during the period	Reclassification	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
		adjustments during the period			
Exchange differences resulting from translating the financial statements of a foreign operation	\$6,675	\$-	\$6,675	\$(438)	\$6,237
Unrealized gains(losses) from available-for-sale financial assets	(407,956)	(173,333)	(581,289)	100,062	(481,227)
Gains(losses) on cash flow hedges	(387)	(6,039)	(6,426)	1,066	(5,360)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,070)	-	(1,070)	-	(1,070)
Total	\$(402,738)	\$(179,372)	\$(582,110)	\$100,690	\$(481,420)

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For the six-month period ended 30 June 2014

	NT\$				
	Reclassification				Other
	adjustments	Other	Income tax	benefit	comprehensive
	during the	comprehensive	(expense)	income, net of	tax
	Arising during	during the	income	tax	tax
	the period	period	income	(expense)	tax
Exchange differences resulting from translating the financial statements of a foreign operation	\$(381,471)	\$-	\$(381,471)	\$14,730	\$(366,741)
Unrealized gains(losses) from available-for-sale financial assets	31,743,270	(14,383,643)	17,359,627	225,769	17,585,396
Gains(loss) on cash flow hedges	94,453	(269,741)	(175,288)	28,870	(146,418)
Gains from revaluation	902,335	-	902,335	(74,726)	827,609
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	20,868	(13)	20,855	-	20,855
Total	<u>\$32,379,455</u>	<u>\$(14,653,397)</u>	<u>\$17,726,058</u>	<u>\$194,643</u>	<u>\$17,920,701</u>

	US\$				
	Reclassification				Other
	adjustments	Other	Income tax	benefit	comprehensive
	during the	comprehensive	(expense)	income, net of	tax
	Arising during	during the	income	tax	tax
	the period	period	income	(expense)	tax
Exchange differences resulting from translating the financial statements of a foreign operation	\$(12,771)	\$-	\$(12,771)	\$493	\$(12,278)
Unrealized gains(losses) from available-for-sale financial assets	1,062,714	(481,541)	581,173	7,558	588,731
Gains(losses) on cash flow hedges	3,162	(9,030)	(5,868)	967	(4,902)
Gain from revaluation	30,209	-	30,209	(2,502)	27,707
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	698	-	698	-	698
Total	<u>\$1,084,012</u>	<u>\$(490,571)</u>	<u>\$593,441</u>	<u>\$6,516</u>	<u>\$599,957</u>

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	NT\$				
	Reclassification				Other
	adjustments	Other	Income tax		comprehensive
Arising during	during the	comprehensive	benefit		income, net of
the period	period	income	(expense)		tax
Exchange differences resulting from translating the financial statements of a foreign operation	\$732,167	\$-	\$732,167	\$(64,607)	\$667,560
Unrealized gains(losses) from available-for-sale financial assets	(8,081,924)	(9,365,821)	(17,447,745)	2,810,027	(14,637,718)
Gains(losses) on cash flow hedges	(20,344)	(372,084)	(392,428)	65,763	(326,665)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(9,657)	-	(9,657)	-	(9,657)
Total	\$(7,379,758)	\$(9,737,905)	\$(17,117,663)	\$2,811,183	\$(14,306,480)

	US\$				
	Reclassification				Other
	adjustments	Other	Income tax		comprehensive
Arising during	during the	comprehensive	benefit		income, net of
the period	period	income	(expense)		tax
Exchange differences resulting from translating the financial statements of a foreign operation	\$24,438	\$-	\$24,438	\$(2,156)	\$22,282
Unrealized gains(losses) from available-for-sale financial assets	(269,757)	(312,611)	(582,368)	93,792	(488,576)
Gains(losses) on cash flow hedges	(679)	(12,420)	(13,099)	2,196	(10,903)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(322)	-	(322)	-	(322)
Total	\$(246,320)	\$(325,031)	\$(571,351)	\$93,832	\$(477,519)

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31. Income taxes

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

Income tax expense recognized in profit or loss

	NT\$			
	2014.4.1~ 2014.6.30	2013.4.1~ 2013.6.30	2014.1.1~ 2014.6.30	2013.1.1~ 2013.6.30
Current income tax expense(income):				
Current income tax charge	\$803,266	\$664,973	\$1,654,080	\$1,410,045
Adjustments in respect of current income tax of prior periods	(116,729)	(343,967)	(261,563)	(248,875)
Deferred tax expense(income):				
Deferred tax expense relating to origination and reversal of temporary differences	948,500	3,169,537	4,745,249	3,314,205
Deferred tax expense(income) relating to origination and reversal of tax loss and tax credit	386,879	(66,936)	(3,793,336)	(127,118)
Tax expense recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	-	110,275	-	110,275
Other components of deferred tax expense(income)	415,119	(619,770)	398,938	(709,196)
Total income tax expense	<u>\$2,437,035</u>	<u>\$2,914,112</u>	<u>\$2,743,368</u>	<u>\$3,749,336</u>

	US\$			
	2014.4.1~ 2014.6.30	2013.4.1~ 2013.6.30	2014.1.1~ 2014.6.30	2013.1.1~ 2013.6.30
Current income tax expense(income):				
Current income tax charge	\$26,892	\$22,195	\$55,376	\$47,064
Adjustments in respect of current income tax of prior periods	(3,908)	(11,481)	(8,757)	(8,307)
Deferred tax expense(income):				
Deferred tax expense relating to origination and reversal of temporary differences	31,754	105,792	158,864	110,621
Deferred tax expense(income) relating to origination and reversal of tax loss and tax credit	12,952	(2,234)	(126,995)	(4,243)
Tax expense recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	-	3,681	-	3,681
Other components of deferred tax expense(income)	13,898	(20,686)	13,356	(23,671)
Total income tax expense	<u>\$81,588</u>	<u>\$97,267</u>	<u>\$91,844</u>	<u>\$125,145</u>

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Income tax relating to components of other comprehensive income

	NT\$			
	2014.4.1~ 2014.6.30	2013.4.1~ 2013.6.30	2014.1.1~ 2014.6.30	2013.1.1~ 2013.6.30
Deferred tax expense(income):				
Exchange difference resulting from translating the financial statements of a foreign operation	\$ (55,172)	\$ 13,115	\$ (14,730)	\$ 64,607
Unrealized gains(losses) from available-for-sale financial assets	363,875	(2,997,870)	(225,769)	(2,810,027)
Losses on cash flow hedges	(16,126)	(31,922)	(28,870)	(65,763)
Gains from revaluation	-	-	74,726	-
Income tax relating to components of other comprehensive income	<u>\$ 292,577</u>	<u>\$ (3,016,677)</u>	<u>\$ (194,643)</u>	<u>\$ (2,811,183)</u>

	US\$			
	2014.4.1~ 2014.6.30	2013.4.1~ 2013.6.30	2014.1.1~ 2014.6.30	2014.1.1~ 2014.6.30
Deferred tax expense(income):				
Exchange difference resulting from translating the financial statements of a foreign operation	\$ (1,847)	\$ 438	\$ (493)	\$ 2,156
Unrealized gains(losses) from available-for-sale financial assets	12,182	(100,062)	(7,558)	(93,793)
Losses on cash flow hedges	(540)	(1,066)	(967)	(2,195)
Gains from revelation	-	-	2,502	-
Income tax relating to components of other comprehensive income	<u>\$ 9,795</u>	<u>\$ (100,690)</u>	<u>\$ (6,516)</u>	<u>\$ (93,832)</u>

(2) Income tax relating to components of other comprehensive income:

		2014.6.30
		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	-

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

(3) Information related to imputation credit account:

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Balance of imputation credit account	\$184,518	\$6,177	\$703,186	\$23,573

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Balance of imputation credit account	\$3,742,182	\$124,906	\$1,962,845	\$67,568

The Company's cash dividends-imputed and stock dividends-imputed tax credit ratio applied to actual distribution were 2.39% and 1.19% for the year ended 31 December 2013, respectively. And the cash dividends-imputed and stock dividends-imputed tax credit rate applied to actual distribution were 18.68% and 20.66% for the year ended 31 December 2012, respectively.

Undistributed earnings occurred before 1997 in the amount of NT\$267,215 (US\$8,946) thousands were originally appropriated as capital reserve which may be distributed as cash dividends and were undistributed earnings of the company's subsidiaries before conversion of shares. On June 30 2014, this amount was used to compensate the changes due to first-time adoption of IFRS.

32.Earnings per share

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

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

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	2014.4.1~ 2014.6.30	2013.4.1~ 2013.6.30	2014.1.1~ 2014.6.30	2013.1.1~ 2013.6.30
(1) Basic earnings per share (NT\$)				
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$18,168,148</u>	<u>\$9,990,217</u>	<u>\$30,453,228</u>	<u>\$17,074,382</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>12,563,210</u>	<u>11,982,560</u>	<u>12,563,210</u>	<u>11,982,560</u>
Basic earnings per share (NT\$)	<u>\$1.45</u>	<u>\$0.83</u>	<u>\$2.42</u>	<u>\$1.42</u>
Basic earnings per share (US\$)				
Profit attributable to ordinary equity holders of the Company (in thousand US\$)	<u>\$608,241</u>	<u>\$333,452</u>	<u>\$1,019,526</u>	<u>\$569,906</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>12,563,210</u>	<u>11,982,560</u>	<u>12,563,210</u>	<u>11,982,560</u>
Basic earnings per share (US\$)	<u>\$0.05</u>	<u>\$0.03</u>	<u>\$0.08</u>	<u>\$0.05</u>
(2) Diluted earnings per share (NT\$)				
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$18,168,148	\$9,990,217	\$30,453,228	\$17,074,382
Less: Interest expense from convertible bonds (in thousand NT\$)	-	(184,233)	-	669,865
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	<u>\$18,168,148</u>	<u>\$9,805,984</u>	<u>\$30,453,228</u>	<u>\$17,744,247</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	12,563,210	11,982,560	12,563,210	11,982,560
Effect of dilution:				
Convertible bonds (in thousands)	-	200,000	-	200,000
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>12,563,210</u>	<u>12,182,560</u>	<u>12,563,210</u>	<u>12,182,560</u>
Diluted earnings per share (NT\$)	<u>\$1.45</u>	<u>\$0.80</u>	<u>\$2.42</u>	<u>\$1.42</u>

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	2014.4.1~ 2014.6.30	2013.4.1~ 2013.6.30	2014.1.1~ 2014.6.30	2013.1.1~ 2013.6.30
Diluted earnings per share (US\$)				
Profit attributable to ordinary equity holders of the Company (in thousand US\$)	\$608,240	\$333,452	\$1,019,526	\$569,906
Less: Interest expense from convertible bonds (in thousand US\$)	-	(6,149)	-	22,359
Profit attributable to ordinary equity holders of the Company after dilution (in thousand US\$)	<u>\$608,240</u>	<u>\$327,303</u>	<u>\$1,019,526</u>	<u>\$592,265</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	12,563,210	11,982,560	12,563,210	11,982,560
Effect of dilution:				
Convertible bonds (in thousands)	-	200,000	-	200,000
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>12,563,210</u>	<u>12,182,560</u>	<u>12,563,210</u>	<u>12,182,560</u>
Diluted earnings per share (US\$)	<u>\$1.45</u>	<u>\$0.80</u>	<u>\$2.42</u>	<u>\$1.42</u>

- (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 calculation of diluted earnings per share in consideration of potential ordinary shares for the six-month periods ended 30 June 2013 had an antidilutive effect; as a result, diluted earnings per share was not calculated.

33. Business combinations

During November 2013, Cathay Life and Cathay Venture disposed of 11% and 39.88% of investment in equity of Symphox Information respectively. Since December 2013, Symphox Information was 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 on 30 September 2013. CUBC Bank 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.

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34.Information of insurance contract

(1) Life insurance subsidiaries

Risk management objectives, policies, procedures and methods:

A. Objectives of risk management

Cathay Life's risk management policy aims to promote operational efficiency, to ensure assets safety, to increase shareholder value, and to comply with any and all applicable laws and 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.
- b. The board of directors, together with 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 be aware of the risk arising from daily operations, ensure the effectiveness of risk management and bear 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.

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- 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 should not concurrently play a business or financial role nor hold a position in any profit center of Cathay Life.
- b. The Chief Risk Officer should be able to access any and all information which may have an impact on risk overview of Cathay Life.
- c. The Chief Risk Officer should be in charge of overall risk management of Cathay Life.
- d. The Chief Risk Officer should participate in Cathay Life important decision-making process and express opinions from a risk management perspective.

(D) 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:
 - (a) Propose and execute the risk management policies set by the board of directors.
 - (b) Suggest the risk limits based on risk appetite.
 - (c) Summarize the risk information provided by all departments, facilitate the execution of the policies and discuss the risk limits with departments respectively.

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- (d) Regularly generate risk management related reports.
- (e) Regularly review all department's risk limits and cope with the violation of such limits.
- (f) Execute stress testing.
- (g) Execute back testing if necessary.
- (h) Manage other risk management related issues.

(E) 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.

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.

(F) 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.

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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.

(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 measures the sovereign risk and sets the investment ceiling for specific countries. Cathay Life reviews and adjusts the ceiling on a regular basis.

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(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.

(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.

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(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.
- d. 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.

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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.
- 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.

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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.

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.

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- 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.

(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.

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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.

Information of insurance risk

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

(A) Cathay Life

For the six-month period ended 30 June 2014

NT\$

	Scenarios	Change in income	
		before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	1,008,578	837,119
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	1,169,932	971,043
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	202,526	168,097
Rate of return	+0.1%	Increase 1,847,361	Increase 1,533,310
Rate of return	-0.1%	Decrease 1,848,275	Decrease 1,534,068

For the six-month period ended 30 June 2014

US\$

	Scenarios	Change in income	
		before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	33,766	28,025
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	39,167	32,509
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	6,780	5,628
Rate of return	+0.1%	Increase 61,847	Increase 51,333
Rate of return	-0.1%	Decrease 61,877	Decrease 51,358

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For the six-month period ended 30 June 2013

NT\$

	Scenarios	Change in income	
		before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	966,264	801,999
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	1,296,474	1,076,074
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	152,681	126,725
Rate of return	+0.1%	Increase 1,622,308	Increase 1,346,515
Rate of return	-0.1%	Decrease 1,623,111	Decrease 1,347,182

For the six-month period ended 30 June 2013

US\$

	Scenarios	Change in income	
		before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	32,252	26,769
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	43,273	35,917
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	5,096	4,230
Rate of return	+0.1%	Increase 54,149	Increase 44,944
Rate of return	-0.1%	Decrease 54,176	Decrease 44,966

(B) Cathay Life (China)

For the six-month period ended 30 June 2014

NT\$

	Scenarios	Change in income	
		before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.10 (×0.90)	48,142	36,106
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	38,395	28,796
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	15,318	11,489
Rate of return	+0.25%	Increase 154,833	Increase 116,125
Rate of return	-0.25%	Decrease 175,856	Decrease 131,892

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For the six-month period ended 30 June 2014

US\$

	Scenarios	Change in income	
		before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.10 (×0.90)	1,612	1,209
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	1,285	964
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	513	385
Rate of return	+0.25%	Increase 5,184	Increase 3,888
Rate of return	-0.25%	Decrease 5,887	Decrease 4,416

For the six-month period ended 30 June 2013

NT\$

	Scenarios	Change in income	
		before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.10 (×0.90)	41,124	30,843
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	37,020	27,765
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	13,067	9,800
Rate of return	+0.25%	Increase 158,192	Increase 118,644
Rate of return	-0.25%	Decrease 143,174	Decrease 107,380

For the six-month period ended 30 June 2013

US\$

	Scenarios	Change in income	
		before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.10 (×0.90)	1,373	1,029
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	1,236	927
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	436	327
Rate of return	+0.25%	Increase 5,280	Increase 3,960
Rate of return	-0.25%	Decrease 4,779	Decrease 3,584

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(C) Cathay Life (Vietnam)

For the six-month period ended 30 June 2014

NT\$

	Scenarios	Change in income	
		before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	61	47
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	4,431	3,456
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	299	233
Rate of return	+0.1%	Increase 1,660	Increase 1,295
Rate of return	-0.1%	Decrease 1,661	Decrease 1,296

For the six-month period ended 30 June 2014

US\$

	Scenarios	Change in income	
		before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	2	2
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	148	116
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	10	8
Rate of return	+0.1%	Increase 56	Increase 43
Rate of return	-0.1%	Decrease 56	Decrease 43

For the six-month period ended 30 June 2013

NT\$

	Scenarios	Change in income	
		before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	146	110
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	4,628	3,471
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	324	243
Rate of return	+0.1%	Increase 1,194	Increase 895
Rate of return	-0.1%	Decrease 1,194	Decrease 896

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For the six-month period ended 30 June 2013

US\$

	Scenarios	Change in income	
		before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	5	4
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	154	116
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	11	8
Rate of return	+0.1%	Increase 40	Increase 30
Rate of return	-0.1%	Decrease 40	Decrease 30

- a. Changes in income before tax listed above refer to the effects of income before tax arising from the assumption for the six-month periods ended 30 June 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 six-month period ended 30 June 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.

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(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.

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.

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C. Claim development trend

(A) Cathay Life

a. Direct business development trend

Accident year	Development year							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2007Q3~2008Q2	12,562,311	14,951,930	15,117,368	15,170,737	15,224,557	15,248,250	15,259,648	-
2008Q3~2009Q2	13,615,581	16,157,704	16,359,090	16,445,402	16,499,836	16,527,738	16,540,243	12,505
2009Q3~2010Q2	14,369,300	17,331,855	17,588,505	17,676,347	17,745,630	17,774,177	17,787,383	41,753
2010Q3~2011Q2	14,582,924	17,837,368	18,127,956	18,243,487	18,310,616	18,340,115	18,353,691	110,204
2011Q3~2012Q2	14,768,726	18,234,468	18,547,502	18,638,338	18,703,351	18,732,395	18,745,832	198,330
2012Q3~2013Q2	13,686,305	16,909,537	17,138,617	17,216,213	17,264,781	17,288,491	17,299,791	390,254
2013Q3~2014Q2	13,945,362	16,861,391	17,089,004	17,165,305	17,211,486	17,234,347	17,245,375	3,300,013

Expected future payment	\$4,053,059
Less: Expected reported but not paid claim	122,897
Add: Assumed reserve for incurred but not reported claim	49,055
Reserve for unreported claim	3,979,217
Add: Reported but not paid claim	465,982
Claims reserve balance	<u>\$4,445,199</u>

Accident year	Development year							Expected future payment
	US\$							
	1	2	3	4	5	6	7	
2007Q3~2008Q2	420,566	500,567	506,105	507,892	509,694	510,487	510,869	-
2008Q3~2009Q2	455,828	540,934	547,676	550,566	552,388	553,322	553,741	419
2009Q3~2010Q2	481,061	580,243	588,835	591,776	594,095	595,051	595,493	1,398
2010Q3~2011Q2	488,213	597,167	606,895	610,763	613,010	613,998	614,452	3,689
2011Q3~2012Q2	494,433	610,461	620,941	623,982	626,158	627,131	627,581	6,640
2012Q3~2013Q2	458,196	566,104	573,774	576,371	577,997	578,791	579,169	13,065
2013Q3~2014Q2	466,869	564,493	572,113	574,667	576,213	576,978	577,348	110,479

Expected future payment	\$135,690
Less: Expected reported but not paid claim	4,114
Add: Assumed reserve for incurred but not reported claim	1,642
Reserve for unreported claim	133,218
Add: Reported but not paid claim	15,600
Claims reserve balance	<u>\$148,818</u>

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b. Retained business development trend

Accident year	Development year							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2007Q3~2008Q2	12,680,718	15,093,860	15,260,002	15,312,943	15,368,900	15,412,048	15,415,054	-
2008Q3~2009Q2	13,546,181	15,937,437	16,122,013	16,205,507	16,276,788	16,290,906	16,303,625	12,719
2009Q3~2010Q2	12,738,179	15,081,899	15,260,212	15,343,654	15,400,737	15,429,765	15,443,179	42,442
2010Q3~2011Q2	12,734,259	15,324,990	15,549,755	15,644,490	15,712,338	15,742,293	15,756,068	111,578
2011Q3~2012Q2	12,949,254	15,777,446	16,029,944	16,121,901	16,187,649	16,217,159	16,230,800	200,856
2012Q3~2013Q2	12,117,865	14,979,692	15,212,329	15,291,038	15,340,337	15,364,509	15,376,011	396,319
2013Q3~2014Q2	13,793,033	16,741,096	16,972,317	17,049,748	17,096,669	17,120,000	17,131,233	3,338,200

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

Expected future payment	\$4,102,114
Less: Expected reported but not paid claim	122,897
Add: Reported but not paid claim	465,982
Retained claims reserve balance	<u>\$4,445,199</u>

Accident year	Development year							Expected future payment
	US\$							
	1	2	3	4	5	6	7	
2007Q3~2008Q2	424,530	505,318	510,881	512,653	514,526	515,971	516,071	-
2008Q3~2009Q2	453,505	533,560	539,739	542,535	544,921	545,393	545,819	426
2009Q3~2010Q2	426,454	504,918	510,888	513,681	515,592	516,564	517,013	1,421
2010Q3~2011Q2	426,323	513,056	520,581	523,753	526,024	527,027	527,488	3,735
2011Q3~2012Q2	433,520	528,204	536,657	539,736	541,937	542,925	543,381	6,724
2012Q3~2013Q2	405,687	501,496	509,285	511,920	513,570	514,379	514,764	13,268
2013Q3~2014Q2	461,768	560,465	568,206	570,798	572,369	573,150	573,526	111,758

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

Expected future payment	\$137,332
Less: Expected reported but not paid claim	4,114
Add: Reported but not paid claim	15,600
Retained claims reserve balance	<u>\$148,818</u>

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(B) Cathay Life (China)

a. Direct business development trend

Accident year	Development year							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2007Q3~2008Q2	27	53	54	54	54	54	54	-
2008Q3~2009Q2	808	3,247	3,259	3,259	3,259	3,259	3,259	-
2009Q3~2010Q2	9,276	17,866	18,656	18,656	18,656	18,656	18,656	-
2010Q3~2011Q2	51,143	115,565	121,630	121,630	121,630	121,630	121,630	-
2011Q3~2012Q2	96,139	192,402	204,717	204,717	204,717	204,717	204,717	-
2012Q3~2013Q2	129,403	356,195	375,092	375,092	375,092	375,092	375,092	18,897
2013Q3~2014Q2	147,106	480,925	491,547	491,547	491,547	491,547	491,547	344,441

Expected future payment	\$363,338
Less: Expected reported but not paid claim	31,922
Add: Assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	331,416
Add: Reported but not paid claim	75,180
Claims reserve balance	<u>\$406,596</u>

Accident year	Development year							Expected future payment
	US\$							
	1	2	3	4	5	6	7	
2007Q3~2008Q2	1	2	2	2	2	2	2	-
2008Q3~2009Q2	27	109	109	109	109	109	109	-
2009Q3~2010Q2	311	598	625	625	625	625	625	-
2010Q3~2011Q2	1,712	3,869	4,072	4,072	4,072	4,072	4,072	-
2011Q3~2012Q2	3,219	6,441	6,854	6,854	6,854	6,854	6,854	-
2012Q3~2013Q2	4,332	11,925	12,558	12,558	12,558	12,558	12,558	633
2013Q3~2014Q2	4,925	16,101	16,456	16,456	16,456	16,456	16,456	11,531

Expected future payment	\$12,164
Less: Expected reported but not paid claim	1,069
Add: Assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	11,095
Add: Reported but not paid claim	2,517
Claims reserve balance	<u>\$13,612</u>

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b. Retained business development trend

Accident year	Development year							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2007Q3~2008Q2	27	53	54	54	54	54	54	-
2008Q3~2009Q2	808	3,247	3,259	3,259	3,259	3,259	3,259	-
2009Q3~2010Q2	9,276	17,866	18,656	18,656	18,656	18,656	18,656	-
2010Q3~2011Q2	51,143	115,565	121,630	121,630	121,630	121,630	121,630	-
2011Q3~2012Q2	96,139	192,267	204,580	204,580	204,580	204,580	204,580	-
2012Q3~2013Q2	119,361	362,059	373,154	373,154	373,154	373,154	373,154	11,095
2013Q3~2014Q2	137,899	417,877	473,681	473,681	473,681	473,681	473,681	335,782

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

Expected future payment	\$346,877
Less: Expected reported but not paid claim	31,922
Add: Reported but not paid claim	75,180
Retained claims reserve balance	<u>\$390,135</u>

Accident year	Development year							Expected future payment
	US\$							
	1	2	3	4	5	6	7	
2007Q3~2008Q2	1	2	2	2	2	2	2	-
2008Q3~2009Q2	27	109	109	109	109	109	109	-
2009Q3~2010Q2	311	598	625	625	625	625	625	-
2010Q3~2011Q2	1,712	3,869	4,072	4,072	4,072	4,072	4,072	-
2011Q3~2012Q2	3,219	6,437	6,849	6,849	6,849	6,849	6,849	-
2012Q3~2013Q2	3,996	12,121	12,493	12,493	12,493	12,493	12,493	372
2013Q3~2014Q2	4,617	13,990	15,858	15,858	15,858	15,858	15,858	11,241

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

Expected future payment	\$11,613
Less: Expected reported but not paid claim	1,069
Add: Reported but not paid claim	2,517
Retained claims reserve balance	<u>\$13,061</u>

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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.

(C) Cathay Life (Vietnam)

Direct business development trend (and retained business development trend)

Accident year	Development year				
	NT\$				
	1	2	3	4	5
2009Q3~2010Q2	200	211	211	211	211
2010Q3~2011Q2	144	222	222	222	222
2011Q3~2012Q2	801	1,004	1,004	1,004	1,004
2012Q3~2013Q2	1,045	1,116	1,116	1,116	1,116
2013Q3~2014Q2	584	681	681	681	681

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Accident year	Development year US \$				
	1	2	3	4	5
2009Q3~2010Q2	7	7	7	7	7
2010Q3~2011Q2	5	7	7	7	7
2011Q3~2012Q2	27	34	34	34	34
2012Q3~2013Q2	35	37	37	37	37
2013Q3~2014Q2	20	23	23	23	23

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.

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."

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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.

30 June 2014 NT\$	Within 1 year	1 to 5 years	Unit: Billion Over 5 years
Insurance contracts and financial instruments with discretionary participation features	\$(90.5)	\$200.1	\$10,877.8

30 June 2014 US\$	Within 1 year	1 to 5 years	Unit: Billion Over 5 years
Insurance contracts and financial instruments with discretionary participation features	\$(3.03)	\$6.70	\$364.17

Note: Separate account products are not included.

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.

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(2) Century insurance subsidiaries

The objectives, policies, procedures and methods of risk management:

A. The framework, organization, and responsibility of risk management

Responsibility:

(A) Board of directors

- a. To recognize various risks associated with insurance business, assure effectiveness of risk management and take ultimate responsibility for risk management as a whole.
- b. To establish appropriate mechanism and culture for risk management, ratify appropriate risk management policies and optimize resource allocation.
- c. To consider the aggregate effect of various risks from the perspective of Cathay Century as a whole, take into account the regulatory capital requirements from the competent authority and other related capital allocation regulations regarding finance and business.

(B) Risk Management Committee

- a. To formulate risk management policies, frameworks, and organizations; to build quantitative and qualitative management standards, regularly report to board of directors, reflect timely the execution of risk management and propose necessary steps for improvement.
- b. To execute risk management decisions from board of directors and review development, establishment and effectiveness of risk management mechanism for Cathay Century as a whole on a regular basis.
- c. To assist 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.

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(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.

(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.

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- (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.
- 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.

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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.

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:

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Item	2014		2013	
	NT\$	US\$	NT\$	US\$
Fire insurance	\$729,000	\$24,405	\$673,000	\$22,561
Marine insurance	729,000	24,405	673,000	22,561
Engineering insurance	729,000	24,405	673,000	22,561
Other property insurance	729,000	24,405	673,000	22,561
Automobile insurance	729,000	24,405	673,000	22,561
Health and injury insurance	729,000	24,405	673,000	22,561

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.

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 Company to review the impact on the group's capital adequacy ratio.

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Receivables and payables of insurance contracts

A. Receivables of insurance contracts

Item	Premiums receivable (Note)			
	NT\$			
	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Fire insurance	\$946,671	\$605,859	\$868,624	\$665,154
Marine insurance	259,052	266,869	336,313	369,048
Land and air insurance	813,920	852,082	698,453	748,157
Liability insurance	147,048	173,230	162,705	217,416
Bonding insurance	47,145	27,737	25,548	13,983
Other property insurance	384,323	427,980	437,668	345,181
Accident insurance	302,844	270,300	331,333	288,526
Health insurance	12,756	25,735	23,167	22,994
Compulsory automobile liability insurance	324,580	286,025	297,701	268,872
Total	3,238,339	2,935,817	3,181,512	2,939,331
Less: Allowance for bad debts	(70,193)	(64,162)	(64,294)	(69,978)
Net	<u>\$3,168,146</u>	<u>\$2,871,655</u>	<u>\$3,117,218</u>	<u>\$2,869,353</u>

Item	Premiums receivable(Note)			
	US\$			
	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Fire insurance	\$31,693	\$20,310	\$28,993	\$22,897
Marine insurance	8,673	8,946	11,225	12,704
Land and air insurance	27,249	28,565	23,313	25,754
Liability insurance	4,923	5,807	5,431	7,484
Bonding insurance	1,578	930	853	481
Other property insurance	12,867	14,347	14,608	11,882
Accident insurance	10,139	9,061	11,059	9,932
Health insurance	427	863	773	792
Compulsory automobile liability insurance	10,866	9,589	9,937	9,255
Total	108,415	98,418	106,192	101,181
Less: Allowance for bad debts	(2,350)	(2,151)	(2,146)	(2,408)
Net	<u>\$106,065</u>	<u>\$96,267</u>	<u>\$104,046</u>	<u>\$98,773</u>

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

Note: As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the receivables included overdue receivables amounted to NT\$516,729 (US\$17,299) thousands, NT\$484,663 (US\$16,248) thousands, NT\$449,447 (US\$15,002), thousands, and NT\$497,914 (US\$17,140) thousands, respectively, and the allowance for bad debts amounted to NT\$13,065 (US\$437) thousands, NT\$20,634 (US\$692) thousands, NT\$19,487 (US\$650) thousands, and NT\$31,767 (US\$1,094) thousands, respectively.

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

Item	Claims reported and paid off			
	NT\$			
	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Fire insurance	\$6,813	\$22,767	\$18,017	\$241,267
Marine insurance	28,819	37,647	27,836	42,699
Land and air insurance	33,266	25,154	21,037	40,214
Liability insurance	17,299	21,545	8,377	13,506
Bonding insurance	27	(2)	42	8
Other property insurance	13,745	31,352	12,180	8,231
Accident insurance	18,599	15,040	12,269	23,435
Health insurance	-	-	-	-
Compulsory automobile liability insurance	111,967	179,208	142,823	144,232
Total	230,535	332,711	242,581	513,592
Less: Allowance for bad debts	-	-	-	-
Net	\$230,535	\$332,711	\$242,581	\$513,592

Item	Claims reported and paid off			
	US\$			
	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Fire insurance	\$228	\$763	\$601	\$8,305
Marine insurance	965	1,262	929	1,470
Land and air insurance	1,114	843	702	1,385
Liability insurance	579	722	280	465
Bonding insurance	1	-	1	-
Other property insurance	460	1,051	407	283
Accident insurance	623	504	410	807
Health insurance	-	-	-	-
Compulsory automobile liability insurance	3,748	6,008	4,767	4,965
Total	7,718	11,153	8,097	17,680
Less: Allowance for bad debts	-	-	-	-
Net	\$7,718	\$11,153	\$8,097	\$17,680

English Translation of Financial Statements Originally Issued in Chinese

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C. Payables of insurance contract

Item	2014.6.30					
	Commission payables		Other payables		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$9,979	\$334	\$19,892	\$666	\$29,871	\$1,000
Marine insurance	3,198	107	7,146	239	10,344	346
Land and air insurance	7,692	258	219,062	7,334	226,754	7,592
Liability insurance	6,754	226	9,594	321	16,348	547
Bonding insurance	49	2	257	9	306	11
Other property insurance	33,988	1,138	14,447	484	48,435	1,622
Accident insurance	42	1	97,402	3,261	97,444	3,262
Health insurance	1,434	48	2,758	92	4,192	140
Compulsory automobile liability insurance	149,247	4,997	-	-	149,247	4,997
Total	\$212,383	\$7,111	\$370,558	\$12,406	\$582,941	\$19,517

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

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

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

English Translation of Financial Statements Originally Issued in Chinese

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

Item	2014.6.30			
	Due from reinsurers and ceding companies (Note)		Due to reinsurers and ceding companies	
	NT\$	US\$	NT\$	US\$
Non-Life Insurance Association of the R.O.C	\$57,270	\$1,917	\$227,390	\$7,613
Munich Re	-	-	85,184	2,852
Central Re	32,683	1,094	96,826	3,242
FP Marine	41,743	1,397	43,883	1,469
Marsh	20,462	685	241,891	8,098
Swiss Re	6,669	223	98,453	3,296
Willis	42,230	1,414	37,367	1,251
Wilson Re	27,295	914	8,735	292
Others	245,788	8,229	623,964	20,889
Total	474,140	15,873	1,463,693	49,002
Less: Allowance for bad debts	(15,012)	(503)	-	-
Net	\$459,128	\$15,370	\$1,463,693	\$49,002

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

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Item	2013.6.30			
	Due from reinsurers and ceding companies(Note)		Due to reinsurers and ceding companies	
	NT\$	US\$	NT\$	US\$
Non-Life Insurance Association of the R.O.C	\$62,413	\$2,083	\$235,225	7,851
Best Re	57,041	1,904	12,020	401
Elite	36,418	1,215	31,291	1,045
Guy Carpenter	41,172	1,374	129,320	4,317
Korean Re	68,230	2,277	81,301	2,714
Marsh	8,566	286	228,851	7,639
Swiss Re	3,225	108	97,516	3,255
Others	390,001	13,018	744,220	24,839
Total	667,066	22,265	1,559,744	52,061
Less: Allowance for bad debts	(4,507)	(150)	-	-
Net	\$662,559	\$22,115	\$1,559,744	\$52,061

Item	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 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, the due from reinsurers and ceding companies included overdue receivables amounted to NT\$50,122 (US\$1,678) thousands, NT\$46,239 (US\$1,550) thousands, NT\$45,074 (US\$1,504) thousands, and NT\$54,939 (US\$1,891) thousands, respectively, and the allowance for bad debts amounted to NT\$15,012 (US\$503) thousands, NT\$14,624 (US\$490) thousands, NT\$4,507 (US\$150) thousands, and NT\$5,494 (US\$189) thousands, respectively.

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Information of management achievements

A. Acquisition cost for insurance contracts

2014.4.1 ~ 2014.6.30 (NT\$)						
Item	Commissi on expense	Agency fee	Surcharge	Reinsurance		Total
				commission expense	Other cost	
Fire insurance	\$8,094	\$1,329	\$7,479	\$2,617	\$32,183	\$51,702
Marine insurance	3,786	121	767	311	12,606	17,591
Land and air insurance	25,821	321	-	289	273,733	300,164
Liability insurance	8,464	137	4,049	39	21,449	34,138
Bonding insurance	957	-	17	-	428	1,402
Other property insurance	2,503	8	63,841	878	23,588	90,818
Accident insurance	6,396	19	-	-	131,970	138,385
Health insurance	5,102	39	-	-	(1,799)	3,342
Compulsory automobile liability insurance	-	-	141,058	-	946	142,004
Total	\$61,123	\$1,974	\$217,211	\$4,134	\$495,104	\$779,546

2014.4.1 ~ 2014.6.30 (US\$)						
Item	Commissi on expense	Agency fee	Surcharge	Reinsurance		Total
				commission expense	Other cost	
Fire insurance	\$271	\$44	\$250	\$88	\$1,077	\$1,730
Marine insurance	127	4	26	10	422	589
Land and air insurance	865	11	-	10	9,164	10,050
Liability insurance	283	5	136	1	718	1,143
Bonding insurance	32	-	1	-	14	47
Other property insurance	84	-	2,137	29	790	3,040
Accident insurance	214	1	-	-	4,418	4,633
Health insurance	171	1	-	-	(60)	112
Compulsory automobile liability insurance	-	-	4,722	-	32	4,754
Total	\$2,047	\$66	\$7,272	\$138	\$16,575	\$26,098

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

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

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2014.1.1 ~ 2014.6.30 (NT\$)						
Item	Commissi on expense	Agency fee	Surcharge	Reinsurance		Total
				commission expense	Other cost	
Fire insurance	\$16,954	\$2,863	\$14,966	\$3,764	\$54,935	\$93,482
Marine insurance	6,799	648	1,755	677	22,471	32,350
Land and air insurance	44,799	1,557	-	407	493,977	540,740
Liability insurance	14,871	815	8,631	64	37,788	62,169
Bonding insurance	1,920	25	132	1	835	2,913
Other property insurance	6,114	880	128,175	1,868	40,143	177,180
Accident insurance	10,983	584	-	-	216,720	228,287
Health insurance	9,728	485	-	-	3,480	13,693
Compulsory automobile liability insurance	-	-	260,953	-	2,742	263,695
Total	\$112,168	\$7,857	\$414,612	\$6,781	\$873,091	\$1,414,509

2014.1.1 ~ 2014.6.30 (US\$)						
Item	Commissi on expense	Agency fee	Surcharge	Reinsurance		Total
				commission expense	Other cost	
Fire insurance	\$568	\$96	\$501	\$126	\$1,839	\$3,130
Marine insurance	227	22	59	23	752	1,083
Land and air insurance	1,500	52	-	14	16,538	18,104
Liability insurance	498	27	289	2	1,265	2,081
Bonding insurance	64	1	4	-	28	97
Other property insurance	205	30	4,291	62	1,344	5,932
Accident insurance	368	19	-	-	7,256	7,643
Health insurance	326	16	-	-	116	458
Compulsory automobile liability insurance	-	-	8,736	-	92	8,828
Total	\$3,756	\$263	\$13,880	\$227	\$29,230	\$47,356

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

2013.1.1 ~ 2013.3.31 (US\$)						
Item	Commissi on expense	Agency fee	Surcharge	Reinsurance		Total
				commission expense	Other cost	
Fire insurance	\$1,208	\$110	\$518	\$53	\$1,425	\$3,314
Marine insurance	188	40	102	52	929	1,311
Land and air insurance	1,030	54	-	34	13,067	14,185
Liability insurance	474	40	927	5	992	2,438
Bonding insurance	33	1	5	-	22	61
Other property insurance	228	27	2,740	133	1,227	4,355
Accident insurance	254	29	-	1	5,549	5,833
Health insurance	232	16	-	-	351	599
Compulsory automobile liability insurance	-	-	7,762	-	165	7,927
Total	\$3,647	\$317	\$12,054	\$278	\$23,727	\$40,023

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B. Disclosure for insurance cost benefit analysis

(A) Cost benefit analysis for direct underwriting

Item	2014.4.1 ~ 2014.6.30 (NT\$)					
	Direct	Net change	Acquisition	Insurance	Net change	Net gain(loss)
	premium	for unearned	cost for	claims	for claims	
income	reserve	insurance	paid	reserve		
Fire insurance	\$1,229,776	\$(433,817)	\$(49,085)	\$(125,544)	\$(538,993)	\$82,337
Marine insurance	165,343	(34,022)	(17,280)	(68,042)	6,179	52,178
Land and air insurance	1,633,693	(58,284)	(299,875)	(958,267)	(17,680)	299,587
Liability insurance	227,798	22,210	(34,099)	(126,603)	(21,489)	67,817
Bonding insurance	18,658	3,929	(1,402)	(8,243)	51	12,993
Other property insurance	516,917	60,829	(89,940)	(286,409)	(54,632)	146,765
Accident insurance	685,600	(25,579)	(138,385)	(247,710)	27,764	301,690
Health insurance	49,974	(1,549)	(3,342)	(20,760)	4,604	28,927
Compulsory automobile liability insurance	948,082	(34,201)	(142,004)	(520,638)	319,774	571,013
Total	\$5,475,841	\$(500,484)	\$(775,412)	\$(2,362,216)	\$(274,422)	\$1,563,307

Item	2014.4.1 ~ 2014.6.30 (US\$)					
	Direct	Net change	Acquisition	Insurance	Net change	Net gain(loss)
	premium	for unearned	cost for	claims	for claims	
income	reserve	insurance	paid	reserve		
Fire insurance	\$41,171	\$(14,524)	\$(1,642)	\$(4,203)	\$(18,045)	\$2,757
Marine insurance	5,536	(1,139)	(579)	(2,278)	207	1,747
Land and air insurance	54,693	(1,951)	(10,040)	(32,081)	(591)	10,030
Liability insurance	7,626	744	(1,142)	(4,238)	(720)	2,270
Bonding insurance	625	132	(47)	(276)	2	436
Other property insurance	17,306	2,036	(3,011)	(9,589)	(1,829)	4,913
Accident insurance	22,953	(856)	(4,633)	(8,293)	929	10,100
Health insurance	1,673	(52)	(112)	(695)	154	968
Compulsory automobile liability insurance	31,740	(1,145)	(4,754)	(17,430)	10,706	19,117
Total	\$183,323	\$(16,755)	\$(25,960)	\$(79,083)	\$(9,187)	\$52,338

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Item	2013.4.1 ~ 2013.6.30 (NT\$)					
	Direct premium income	Net change	Acquisition	Insurance claims paid	Net change for claims reserve	Net gain(loss)
		for unearned premiums reserve	cost for insurance contract			
Fire insurance	\$1,086,237	\$(208,490)	\$(56,005)	\$(182,662)	\$28,346	\$667,426
Marine insurance	207,313	(10,198)	(15,522)	(49,480)	111,390	243,503
Land and air insurance	1,385,047	(20,508)	(217,130)	(841,369)	(55,002)	251,038
Liability insurance	272,363	(21,554)	(34,063)	(101,354)	14,247	129,639
Bonding insurance	13,736	1,162	(991)	(3,517)	(1,683)	8,707
Other property insurance	589,633	(152,595)	(71,669)	(181,184)	(26,423)	157,762
Accident insurance	643,429	12,318	(89,709)	(233,623)	(206,124)	126,291
Health insurance	42,346	(5,416)	(12,463)	(24,629)	(18,680)	(18,842)
Compulsory automobile liability insurance	853,461	(97,764)	(123,118)	(492,750)	(112,011)	27,818
Total	\$5,093,565	\$(503,045)	\$(620,670)	\$(2,110,568)	\$(265,940)	\$1,593,342

Item	2013.4.1 ~ 2013.6.30 (US\$)					
	Direct premium income	Net change	Acquisition	Insurance claims paid	Net change for claims reserve	Net gain(loss)
		for unearned premiums reserve	cost for insurance contract			
Fire insurance	\$36,256	\$(6,959)	\$(1,869)	\$(6,097)	\$946	\$22,277
Marine insurance	6,920	(340)	(518)	(1,652)	3,718	8,128
Land and air insurance	46,230	(685)	(7,247)	(28,083)	(1,836)	8,379
Liability insurance	9,091	(719)	(1,137)	(3,383)	476	4,328
Bonding insurance	458	39	(33)	(117)	(56)	291
Other property insurance	19,681	(5,093)	(2,393)	(6,047)	(882)	5,266
Accident insurance	21,476	411	(2,994)	(7,798)	(6,880)	4,215
Health insurance	1,413	(181)	(416)	(822)	(623)	(629)
Compulsory automobile liability insurance	28,487	(3,263)	(4,110)	(16,447)	(3,739)	928
Total	\$170,012	\$(16,790)	\$(20,717)	\$(70,446)	\$(8,876)	\$53,183

English Translation of Financial Statements Originally Issued in Chinese

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

2014.1.1 ~ 2014.6.30 (NT\$)						
Item	Direct premium income	Net change	Acquisition	Insurance claims paid	Net change	Net gain(loss)
		for unearned premiums reserve	cost for insurance contract		for claims reserve	
Fire insurance	\$1,711,700	\$(168,478)	\$(89,718)	\$(208,241)	\$(521,063)	\$724,200
Marine insurance	317,065	(21,165)	(31,673)	(188,388)	5,668	81,507
Land and air insurance	3,249,460	(161,729)	(540,333)	(1,815,328)	(225,830)	506,240
Liability insurance	483,489	16,968	(62,105)	(222,323)	(115,778)	100,251
Bonding insurance	53,871	(11,148)	(2,912)	(9,691)	(2,426)	27,694
Other property insurance	1,051,471	79,651	(175,312)	(561,329)	(108,838)	285,643
Accident insurance	1,322,743	(63,234)	(228,287)	(456,063)	(35,543)	539,616
Health insurance	85,520	4,970	(13,693)	(45,147)	10,461	42,111
Compulsory automobile liability insurance	1,818,721	(34,494)	(263,695)	(1,102,300)	(1,082,259)	(664,027)
Total	\$10,094,040	\$(358,659)	\$(1,407,728)	\$(4,608,810)	\$(2,075,608)	\$1,643,235

2014.1.1 ~ 2014.6.30 (US\$)						
Item	Direct premium income	Net change	Acquisition	Insurance claims paid	Net change	Net gain(loss)
		for unearned premiums reserve	cost for insurance contract		for claims reserve	
Fire insurance	\$57,305	\$(5,640)	\$(3,004)	\$(6,972)	\$(17,444)	\$24,245
Marine insurance	10,615	(709)	(1,060)	(6,307)	190	2,729
Land and air insurance	108,787	(5,414)	(18,090)	(60,774)	(7,561)	16,948
Liability insurance	16,186	568	(2,079)	(7,443)	(3,876)	3,356
Bonding insurance	1,803	(373)	(97)	(325)	(81)	927
Other property insurance	35,202	2,667	(5,869)	(18,793)	(3,644)	9,563
Accident insurance	44,283	(2,117)	(7,643)	(15,268)	(1,190)	18,065
Health insurance	2,863	166	(459)	(1,511)	350	1,409
Compulsory automobile liability insurance	60,888	(1,155)	(8,828)	(36,903)	(36,232)	(22,230)
Total	\$337,932	\$(12,007)	\$(47,129)	\$(154,296)	\$(69,488)	\$55,012

English Translation of Financial Statements Originally Issued in Chinese

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

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

2013.1.1 ~ 2013.6.30 (US\$)						
Item	Direct premium income	Net change	Acquisition	Insurance claims paid	Net change	Net gain(loss)
		for unearned premiums reserve	cost for insurance contract		for claims reserve	
Fire insurance	\$53,022	\$1,866	\$(3,261)	\$(20,007)	\$14,621	\$46,241
Marine insurance	12,484	453	(1,259)	(5,179)	1,087	7,586
Land and air insurance	98,227	(13,047)	(14,151)	(52,998)	(6,101)	11,930
Liability insurance	17,409	(841)	(2,433)	(6,738)	(2,586)	4,811
Bonding insurance	1,204	(180)	(61)	(159)	409	1,213
Other property insurance	31,487	(5,132)	(4,222)	(10,659)	(1,338)	10,136
Accident insurance	42,259	(810)	(5,832)	(14,280)	(2,029)	19,308
Health insurance	2,587	(225)	(599)	(2,230)	(89)	(556)
Compulsory automobile liability insurance	55,246	(5,790)	(7,927)	(32,106)	(5,698)	3,725
Total	\$313,925	\$(23,706)	\$(39,745)	\$(144,356)	\$(1,724)	\$104,394

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

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

2014.4.1 ~ 2014.6.30 (NT\$)						
Item	Reinsurance premium income	Net change for unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	Net (loss) gain for assumed reinsurance business
Fire insurance	\$44,697	\$(20,949)	\$(2,617)	\$(867)	\$(34,803)	\$(14,539)
Marine insurance	3,183	(4,803)	(311)	(21,656)	131,660	108,073
Land and air insurance	4,904	(638)	(289)	(4,535)	(213,236)	(213,794)
Liability insurance	128	109	(39)	(2)	(59)	137
Bonding insurance	241	(56)	-	1	(46)	140
Other property insurance	8,727	(1,858)	(878)	(2,861)	(11,466)	(8,336)
Accident insurance	1,459	(233)	-	(2)	571	1,795
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	78,816	(3,576)	-	(67,618)	(4,813)	2,809
Total	\$142,155	\$(32,004)	\$(4,134)	\$(97,540)	\$(132,192)	\$(123,715)

2014.4.1 ~ 2014.6.30 (US\$)						
Item	Reinsurance premium income	Net change for unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	Net (loss) gain for assumed reinsurance business
Fire insurance	\$1,496	\$(701)	\$(88)	\$(29)	\$(1,165)	\$(487)
Marine insurance	107	(161)	(10)	(725)	4,407	3,618
Land and air insurance	164	(21)	(10)	(152)	(7,138)	(7,157)
Liability insurance	4	3	(1)	-	(2)	4
Bonding insurance	8	(2)	-	-	(1)	5
Other property insurance	292	(62)	(29)	(96)	(384)	(279)
Accident insurance	49	(8)	-	-	19	60
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	2,639	(120)	-	(2,264)	(161)	94
Total	\$4,759	\$(1,072)	\$(138)	\$(3,266)	\$(4,425)	\$(4,142)

English Translation of Financial Statements Originally Issued in Chinese

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

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

2013.4.1 ~ 2013.6.30 (US\$)

Item	Reinsurance premium income	Net change		Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	Net (loss) gain for assumed reinsurance business
		for unearned premiums reserve	Reinsurance				
Fire insurance	\$627	\$14	\$(48)	\$(53)	\$-	\$540	
Marine insurance	273	197	(19)	(158)	414	707	
Land and air insurance	134	56	(22)	(47)	(51)	70	
Liability insurance	14	(2)	(4)	-	2	10	
Bonding insurance	5	(2)	-	-	-	3	
Other property insurance	361	80	(69)	(203)	(70)	99	
Accident insurance	43	22	-	(56)	62	71	
Health insurance	-	-	-	-	-	-	
Compulsory automobile liability insurance	2,355	6	-	(2,261)	14	114	
Total	\$3,812	\$371	\$(162)	\$(2,778)	\$371	\$1,614	

English Translation of Financial Statements Originally Issued in Chinese

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

2014.1.1 ~ 2014.6.30 (NT\$)						
Item	Reinsurance premium income	Net change for unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	Net (loss) gain for assumed reinsurance business
Fire insurance	\$67,609	\$(16,832)	\$(3,764)	\$(1,127)	\$(37,806)	\$8,080
Marine insurance	7,132	(2,947)	(677)	(124,464)	118,725	(2,231)
Land and air insurance	5,245	2,766	(407)	(7,840)	(207,483)	(207,719)
Liability insurance	216	246	(64)	(7)	(100)	291
Bonding insurance	766	22	(1)	(106)	(46)	635
Other property insurance	14,990	937	(1,868)	(7,322)	(9,835)	(3,098)
Accident insurance	3,056	(283)	-	(44)	482	3,211
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	151,987	(5,833)	-	(147,605)	(157,418)	(158,869)
Total	\$251,001	\$(21,924)	\$(6,781)	\$(288,515)	\$(293,481)	\$(359,700)

2014.1.1 ~ 2014.6.30 (US\$)						
Item	Reinsurance premium income	Net change for unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	Net (loss) gain for assumed reinsurance business
Fire insurance	\$2,263	\$(564)	\$(126)	\$(37)	\$(1,266)	\$270
Marine insurance	239	(99)	(23)	(4,167)	3,975	(75)
Land and air insurance	176	93	(14)	(263)	(6,946)	(6,954)
Liability insurance	7	8	(2)	-	(3)	10
Bonding insurance	26	1	-	(4)	(2)	21
Other property insurance	502	31	(62)	(245)	(329)	(103)
Accident insurance	102	(9)	-	(1)	16	108
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	5,088	(195)	-	(4,942)	(5,270)	(5,319)
Total	\$8,403	\$(734)	\$(227)	\$(9,659)	\$(9,825)	\$(12,042)

English Translation of Financial Statements Originally Issued in Chinese

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

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

2013.1.1 ~ 2013.6.30 (US\$)						
Item	Reinsurance premium income	Net change for unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	Net (loss) gain for assumed reinsurance business
Fire insurance	\$1,409	\$(134)	\$(53)	\$(57)	\$(5)	\$1,160
Marine insurance	703	92	(52)	(1,667)	793	(131)
Land and air insurance	165	168	(34)	(153)	(159)	(13)
Liability insurance	13	1	(5)	(1)	2	10
Bonding insurance	21	(2)	-	-	1	20
Other property insurance	650	186	(133)	(303)	(71)	329
Accident insurance	97	28	(1)	(56)	114	182
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	4,626	(31)	-	(4,944)	(121)	(470)
Total	\$7,684	\$308	\$(278)	\$(7,181)	\$554	\$1,087

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

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

Item	2014.4.1 ~ 2014.6.30 (NT\$)					
	Reinsurance expense	Net change for unearned premiums reserve ceded	Reinsurance commission earned	Claims recovered from reinsurers	Net change for claims reserve ceded	Net loss (gain) for reinsurance ceded
Fire insurance	\$751,347	\$(275,492)	\$(45,970)	\$(82,079)	\$(234,254)	\$113,552
Marine insurance	105,873	(18,374)	(11,697)	(116,588)	109,692	68,906
Land and air insurance	86,635	781	(25,314)	2,675	(211,771)	(146,994)
Liability insurance	64,148	11,668	(15,495)	(39,122)	(3,744)	17,455
Bonding insurance	10,175	3,295	(2,001)	(224)	(970)	10,275
Other property insurance	191,188	(16,911)	(67,157)	(36,724)	(66,509)	3,887
Accident insurance	55,337	(5,997)	(16,570)	(19,565)	6,308	19,513
Health insurance	807	(179)	(298)	-	663	993
Compulsory automobile liability insurance	223,385	(11,579)	-	(171,086)	149,304	190,024
Total	\$1,488,895	\$(312,788)	\$(184,502)	\$(462,713)	\$(251,281)	\$277,611

Item	2014.4.1 ~ 2014.6.30 (US\$)					
	Reinsurance expense	Net change for unearned premiums reserve ceded	Reinsurance commission earned	Claims recovered from reinsurers	Net change for claims reserve ceded	Net loss (gain) for reinsurance ceded
Fire insurance	\$25,154	\$(9,223)	\$(1,539)	\$(2,748)	\$(7,842)	\$3,802
Marine insurance	3,544	(615)	(392)	(3,903)	3,673	2,307
Land and air insurance	2,900	26	(847)	90	(7,090)	(4,921)
Liability insurance	2,147	391	(519)	(1,310)	(125)	584
Bonding insurance	341	110	(67)	(8)	(32)	344
Other property insurance	6,401	(567)	(2,248)	(1,229)	(2,227)	130
Accident insurance	1,853	(201)	(555)	(655)	211	653
Health insurance	27	(6)	(10)	-	22	33
Compulsory automobile liability insurance	7,479	(387)	-	(5,728)	4,998	6,362
Total	\$49,846	\$(10,472)	\$(6,177)	\$(15,491)	\$(8,412)	\$9,294

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Item	2013.4.1 ~ 2013.6.30 (NT\$)					
	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	\$663,208	\$(137,810)	\$(27,474)	\$(62,128)	\$19,647	\$455,443
Marine insurance	164,104	2,385	(19,611)	(45,484)	98,199	199,593
Land and air insurance	56,731	4,820	(15,547)	(22,362)	(13,477)	10,165
Liability insurance	91,517	(10,892)	(26,055)	(22,508)	(10,438)	21,624
Bonding insurance	7,220	66	(1,412)	(43)	(362)	5,469
Other property insurance	170,563	(26,995)	(27,095)	(13,749)	20,230	122,954
Accident insurance	48,654	(7,054)	(14,706)	(15,696)	(7,976)	3,222
Health insurance	134	184	(64)	-	(10,191)	(9,937)
Compulsory automobile liability insurance	203,848	(7,289)	-	(189,501)	(36,962)	(29,904)
Total	\$1,405,979	\$(182,585)	\$(131,964)	\$(371,471)	\$58,670	\$778,629

Item	2013.4.1 ~ 2013.6.30 (US\$)					
	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	\$22,136	\$(4,600)	\$(917)	\$(2,074)	\$656	\$15,201
Marine insurance	5,477	80	(655)	(1,518)	3,278	6,662
Land and air insurance	1,894	161	(519)	(746)	(450)	340
Liability insurance	3,055	(364)	(870)	(751)	(348)	722
Bonding insurance	241	2	(47)	(2)	(12)	182
Other property insurance	5,693	(901)	(904)	(459)	675	4,104
Accident insurance	1,624	(235)	(491)	(524)	(266)	108
Health insurance	5	6	(2)	-	(341)	(332)
Compulsory automobile liability insurance	6,804	(243)	-	(6,325)	(1,234)	(998)
Total	\$46,929	\$(6,094)	\$(4,405)	\$(12,399)	\$1,958	\$25,989

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2014.1.1 ~ 2014.6.30 (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	\$1,082,025	\$(105,874)	\$(79,974)	\$(113,482)	\$(262,298)	\$520,397
Marine insurance	231,145	(20,240)	(26,847)	(272,571)	105,650	17,137
Land and air insurance	154,910	6,349	(47,567)	(37,633)	(205,923)	(129,864)
Liability insurance	121,278	17,882	(30,211)	(83,666)	(15,127)	10,156
Bonding insurance	34,889	(8,521)	(6,248)	(369)	(2,233)	17,518
Other property insurance	422,248	(120,639)	(128,602)	(63,248)	(90,822)	18,937
Accident insurance	116,420	(21,339)	(27,912)	(34,674)	428	32,923
Health insurance	1,102	(156)	(404)	-	760	1,302
Compulsory automobile liability insurance	429,243	(13,209)	-	(380,682)	(386,904)	(351,552)
Total	\$2,593,260	\$(265,747)	\$(347,765)	\$986,325	\$(856,469)	\$136,954

2014.1.1 ~ 2014.6.30 (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	\$36,225	\$(3,545)	\$(2,677)	\$(3,799)	\$(8,782)	\$17,422
Marine insurance	7,739	(678)	(899)	(9,125)	3,537	574
Land and air insurance	5,186	213	(1,593)	(1,260)	(6,894)	(4,348)
Liability insurance	4,060	598	(1,011)	(2,801)	(506)	340
Bonding insurance	1,168	(285)	(209)	(12)	(75)	587
Other property insurance	14,136	(4,039)	(4,305)	(2,118)	(3,040)	634
Accident insurance	3,897	(714)	(934)	(1,161)	14	1,102
Health insurance	37	(5)	(14)	-	26	44
Compulsory automobile liability insurance	14,370	(442)	-	(12,745)	(12,953)	(11,770)
Total	\$86,818	\$(8,897)	\$(11,642)	\$(33,021)	\$(28,673)	\$4,585

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2013.1.1 ~ 2013.6.30 (NT\$)						
Item	Reinsurance expense	Net change	Reinsurance	Claims	Net change	Net loss
		for unearned premiums reserve ceded	commission earned	recovered from reinsurers	for claims reserve ceded	(gain) for reinsurance ceded
Fire insurance	\$1,039,459	\$(24,722)	\$(73,801)	\$(208,965)	\$239,510	\$971,481
Marine insurance	285,315	25,314	(38,311)	(171,395)	74,709	175,632
Land and air insurance	114,837	13,007	(32,771)	(45,122)	(27,024)	22,927
Liability insurance	167,942	2,100	(47,255)	(52,087)	(10,750)	59,950
Bonding insurance	21,739	(7,697)	(4,321)	(196)	4,496	14,021
Other property insurance	240,905	(21,626)	(37,620)	(31,084)	29,644	180,219
Accident insurance	84,466	(1,374)	(25,003)	(27,168)	14,715	45,636
Health insurance	435	582	(174)	(160)	(9,019)	(8,336)
Compulsory automobile liability insurance	408,779	(19,051)	-	(374,412)	(59,505)	(44,189)
Total	\$2,363,877	\$(33,467)	\$(259,256)	\$(910,589)	\$256,776	\$1,417,341

2013.1.1 ~ 2013.6.30 (US\$)						
Item	Reinsurance expense	Net change	Reinsurance	Claims	Net change	Net loss
		for unearned premiums reserve ceded	commission earned	recovered from reinsurers	for claims reserve ceded	(gain) for reinsurance ceded
Fire insurance	\$34,695	\$(825)	\$(2,463)	\$(6,975)	\$7,994	\$32,426
Marine insurance	9,523	845	(1,279)	(5,721)	2,494	5,862
Land and air insurance	3,833	434	(1,094)	(1,506)	(902)	765
Liability insurance	5,605	70	(1,577)	(1,738)	(359)	2,001
Bonding insurance	726	(257)	(144)	(7)	150	468
Other property insurance	8,041	(722)	(1,256)	(1,037)	989	6,015
Accident insurance	2,819	(46)	(835)	(907)	492	1,523
Health insurance	15	20	(6)	(5)	(302)	(278)
Compulsory automobile liability insurance	13,644	(636)	-	(12,497)	(1,986)	(1,475)
Total	\$78,901	\$(1,117)	\$(8,654)	\$(30,393)	\$8,570	\$47,307

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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%			
	NT\$	US\$		Before reinsurance		After reinsurance	
				NT\$	US\$	NT\$	US\$
Fire insurance	\$1,539,471	\$51,539	63.75	\$76,974	\$2,577	\$44,917	\$1,504
Marine insurance	298,364	9,989	64.03	14,918	499	4,074	136
Land and air insurance	3,233,038	108,237	65.04	161,652	5,412	103,107	3,452
Liability insurance	398,029	13,325	67.94	19,901	666	11,263	377
Bonding insurance	52,926	1,772	68.00	2,646	89	355	12
Other property insurance	297,293	9,953	62.64	14,865	498	7,316	245
Accident insurance	1,319,289	44,168	74.59	65,965	2,208	47,574	1,593
Health insurance	85,520	2,863	62.79	4,276	143	2,674	89
Compulsory automobile liability insurance	1,553,391	52,005	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 Century (China)

Insurance type	Premium income		The impact to profit and loss when the expected loss ratio increases 5%			
	NT\$	US\$	Before reinsurance		After reinsurance	
			NT\$	US\$	NT\$	US\$
Fire insurance	\$144,562	\$4,840	\$7,228	\$242	\$1,459	\$49
Marine insurance	15,969	535	798	27	496	17
Liability insurance	85,234	2,853	4,262	143	3,399	114
Bonding insurance	943	31	47	2	37	1
Other property insurance	757,745	25,368	37,887	1,268	23,674	792
Compulsory automobile liability insurance	265,330	8,883	13,267	444	13,267	444

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

Concentration Risk

A. Cathay Century

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

a. Single insurance contract or few related contracts

For the six-month periods ended 30 June 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 six-month periods ended 30 June 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 six-month periods ended 30 June 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 six-month periods ended 30 June 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	2014.4.1 ~ 2014.6.30 (NT\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$2,708,904	\$79,874	\$298,499	\$2,490,279
Fire insurance	1,151,076	42,891	693,010	500,957
Marine insurance	163,353	6,930	113,718	56,565
Engineering insurance	99,910	6,983	26,073	80,820
Health and injury insurance	416,503	1,357	45,356	372,504
Other insurance	263,225	2,065	95,381	169,909
Total	\$4,802,971	\$140,100	\$1,272,037	\$3,671,034

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Insurance type	2014.4.1 ~ 2014.6.30 (US\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$90,690	\$2,674	\$9,993	\$83,371
Fire insurance	38,536	1,436	23,201	16,771
Marine insurance	5,469	232	3,807	1,894
Engineering insurance	3,345	234	873	2,706
Health and injury insurance	13,944	45	1,518	12,471
Other insurance	8,812	69	3,193	5,688
Total	\$160,796	\$4,690	\$42,585	\$122,901

Insurance type	2014.1.1 ~ 2014.6.30 (NT\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$5,327,790	\$153,497	\$570,209	\$4,911,078
Fire insurance	1,551,010	63,707	941,837	672,880
Marine insurance	305,083	10,768	236,269	79,582
Engineering insurance	239,840	9,571	103,649	145,762
Health and injury insurance	762,798	2,872	59,415	706,255
Other insurance	588,786	5,143	228,003	365,926
Total	\$8,775,307	\$245,558	\$2,139,382	\$6,881,483

Insurance type	2014.1.1 ~ 2014.6.30 (US\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$178,366	\$5,139	\$19,090	\$164,415
Fire insurance	51,925	2,133	31,531	22,527
Marine insurance	10,214	360	7,910	2,664
Engineering insurance	8,029	321	3,470	4,880
Health and injury insurance	25,537	96	1,989	23,644
Other insurance	19,712	172	7,633	12,251
Total	\$293,783	\$8,221	\$71,623	\$230,381

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- (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.

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.

- 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 six-month periods ended 30 June 2014.

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

Insurance type	2014.4.1 ~ 2014.6.30 (NT\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$524,120	\$231	\$140,795	\$383,556
Fire insurance	66,152	760	45,364	21,548
Marine insurance	8,601	90	3,445	5,246
Engineering insurance	1,785	-	1,656	129
Health and injury insurance	-	-	-	-
Other insurance	44,651	54	11,659	33,046
Total	\$645,309	\$1,135	\$202,919	\$443,525

Insurance type	2014.4.1 ~ 2014.6.30 (US\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$17,547	\$8	\$4,714	\$12,841
Fire insurance	2,215	25	1,519	721
Marine insurance	288	3	115	176
Engineering insurance	59	-	55	4
Health and injury insurance	-	-	-	-
Other insurance	1,495	2	390	1,107
Total	\$21,604	\$38	\$6,793	\$14,849

Insurance type	2014.1.1 ~ 2014.6.30 (NT\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$1,003,596	\$1,301	\$281,085	\$723,812
Fire insurance	151,235	2,991	118,699	35,527
Marine insurance	15,969	90	6,125	9,934
Engineering insurance	7,235	-	4,151	3,084
Health and injury insurance	-	-	-	-
Other insurance	91,750	141	17,608	74,283
Total	\$1,269,785	\$4,523	\$427,668	\$846,640

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Insurance type	2014.1.1~2014.6.30 (US\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$33,599	\$44	\$9,410	\$24,233
Fire insurance	5,063	100	3,974	1,189
Marine insurance	535	3	205	333
Engineering insurance	242	-	139	103
Health and injury insurance	-	-	-	-
Other insurance	3,072	5	589	2,488
Total	\$42,511	\$152	\$14,317	\$28,346

Claim development table

A. Cathay Century

Underwriting Year (NT\$)	-2008.6.30	2008.7.1- 2009.6.30	2010.7.1- 2010.6.30	2010.7.1- 2011.6.30	2011.7.1- 2012.6.30	2012.7.1- 2013.6.30	2013.7.1- 2014.6.30	Total
Estimate of cumulative claims incurred:								
At end of underwriting year	\$3,062,273	\$3,322,792	\$3,931,646	\$5,408,275	\$4,851,463	\$5,576,672	\$6,483,154	
One year later	4,080,849	4,039,173	4,872,374	5,667,748	5,603,829	5,804,078		
Two year later	4,184,209	4,142,479	4,895,061	5,849,408	5,722,517			
Three year later	4,048,332	4,178,118	4,902,946	5,850,808				
Four year later	4,058,322	4,241,103	4,900,508					
Five year later	4,199,859	4,235,571						
Six year later	4,002,379							
Estimate of cumulative claims incurred	4,002,379	4,235,571	4,900,508	5,850,808	5,722,517	5,804,078	6,483,154	36,999,015
Cumulative payment to date	4,013,745	4,186,346	4,823,657	5,644,508	5,481,685	5,141,664	3,566,433	32,858,038
Subtotal	(11,366)	49,225	76,851	206,300	240,832	662,414	2,916,721	4,140,977
Reconciliation	-	-	-	-	-	-	86,643	86,643
Recorded in balance sheet	\$(11,366)	\$49,225	\$76,851	\$206,300	\$240,832	\$662,414	\$3,003,364	\$4,227,620

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Underwriting Year (US\$)	-2008.6.30	2008.7.1- 2009.6.30	2010.7.1- 2010.6.30	2010.7.1- 2011.6.30	2011.7.1- 2012.6.30	2012.7.1- 2013.6.30	2013.7.1- 2014.6.30	Total
Estimate of cumulative claims incurred:								
At end of underwriting year	\$102,520	\$111,242	\$131,625	\$181,060	\$162,419	\$186,698	\$217,046	
One year later	136,620	135,225	163,119	189,747	187,607	194,311		
Two year later	140,081	138,684	163,879	195,829	191,581			
Three year later	135,532	139,877	164,143	195,876				
Four year later	135,866	141,985	164,061					
Five year later	140,605	141,800						
Six year later	133,993							
Estimate of cumulative claims incurred	133,993	141,800	164,061	195,876	191,581	194,311	217,046	1,238,668
Cumulative payment to date	134,374	140,152	161,488	188,969	183,518	172,135	119,399	1,100,035
Subtotal	(381)	1,648	2,573	6,907	8,063	22,176	97,647	138,633
Reconciliation	-	-	-	-	-	-	2,901	2,901
Recorded in balance sheet	\$(381)	\$1,648	\$2,573	\$6,907	\$8,063	\$22,176	\$100,548	\$141,534

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 amounting NT\$1,952,681 (US\$65,373) thousands and assumed reinsurance from the upper table (except compulsory automobile liability insurance) amounting NT\$411,702 (US\$13,783) thousands.

B. Cathay Century (China)

NT\$	Accident year							Total
	-2008.6.30	2008.7.1- 2009.6.30	2009.7.1- 2010.6.30	2010.7.1- 2011.6.30	2011.7.1- 2012.6.30	2012.7.1- 2013.6.30	2013.7.1- 2014.6.30	
Estimated accumulation amount of claim								
As to 2008/12/31	\$2,639							
As to 2009/12/31	2,515	\$153,112						
As to 2010/12/31	2,510	147,139	\$327,435					
As to 2011/12/31	2,538	144,176	324,320	\$352,375				
As to 2012/12/31	1,318	125,155	291,259	315,586	\$980,178			
As to 2013/12/31	1,318	125,156	291,283	332,154	823,396	\$1,433,253		
As to 2014/6/30	1,318	125,034	290,875	335,512	791,748	1,283,454	969,771	
Estimated accumulation of claim	1,318	125,034	290,875	335,512	791,748	1,283,454	969,771	\$3,797,712
Accumulated claim paid	1,318	125,024	290,107	318,253	713,119	882,825	310,233	2,640,879
Subtotal	-	10	768	17,259	78,629	400,629	659,538	1,156,833
Indirect claim expense, discount and risk margin								56,808
Recognized amount on balance sheet								<u>\$1,213,641</u>

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US\$	Accident year							
	-2008.6.30	2008.7.1- 2009.6.30	2009.7.1- 2010.6.30	2010.7.1- 2011.6.30	2011.7.1- 2012.6.30	2012.7.1- 2013.6.30	2013.7.1- 2014.6.30	Total
Estimated accumulation								
amount of claim								
As to 2008/12/31	\$88							
As to 2009/12/31	84	\$5,126						
As to 2010/12/31	84	4,926	\$10,962					
As to 2011/12/31	85	4,827	10,858	\$11,797				
As to 2012/12/31	44	4,190	9,751	10,565	\$32,815			
As to 2013/12/31	44	4,190	9,752	11,120	27,566	\$47,983		
As to 2014/6/30	44	4,186	9,738	11,232	26,507	42,968	32,466	
Estimated accumulation of								
claim	44	4,186	9,738	11,232	26,507	42,968	32,466	\$127,141
Accumulated claim paid	44	4,186	9,712	10,655	23,874	29,555	10,386	88,412
Subtotal	-	-	26	577	2,633	13,413	22,080	38,729
Indirect claim expense,								
discount and risk margin								<u>1,902</u>
Recognized amount on								
balance sheet								<u><u>\$40,631</u></u>

C. Cathay Century (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.

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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	"
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							
	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Other related party								
Vietinbank	\$-	\$-	\$6,554,374	\$219,724	\$6,238,460	\$208,226	\$6,376,067	\$219,486

Name	Interest income							
	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Other related party								
Vietinbank	\$-	\$-	\$50,858	\$1,698	\$28,198	\$944	\$115,892	\$3,868

(B) Due from commercial banks

Name	Ending balance							
	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Other related party								
Vietinbank	\$7,021,929	\$235,083	\$16,175	\$542	\$5,592	\$187	\$5,722	\$197

Name	Interest income							
	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Other related party								
Vietinbank	\$50,031	\$1,675	\$-	\$-	\$70,571	\$2,363	\$-	\$-

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(C) Call loans from banks

Name	Ending balance							
	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Other related party								
Vietinbank	\$-	\$-	\$3,844,124	\$128,868	\$3,579,578	\$119,479	\$2,797,772	\$96,309

Name	Interest income							
	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Other related party								
Vietinbank	\$31,158	\$1,043	\$82,166	\$2,743	\$70,906	\$2,374	\$145,906	\$4,870

(D) Due to commercial banks

Name	Ending balance							
	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Other related party								
Vietinbank	\$3,520,074	\$117,846	\$1,601	\$54	\$33,521	\$1,119	\$5,722	\$197

Name	Interest income							
	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Other related party								
Vietinbank	\$9,367	\$314	\$-	\$-	\$9,367	\$314	\$-	\$-

B. Financial assets at fair value through profit or loss

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Dragon Fund etc.	\$2,407,588	\$80,602	\$2,038,855	\$68,349

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Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Dragon Fund etc.	\$1,976,270	\$65,964	\$2,319,889	\$79,858

C. Receivables

Name	2014.6.30			2013.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Subsidiary						
Taiwan Finance Corp.	\$-	\$-	-	\$-	\$-	-
Other related parties						
Cathay General Hospital	-	-	-			-
Cathay Dragon Fund etc.	79,949	2,677	0.06	84,454	2,831	0.05
Total	\$79,949	\$2,677		\$84,454	\$2,831	

Name	2013.6.30			2013.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Subsidiary						
Taiwan Finance Corp.	\$27,899	\$931	0.02	\$-	\$-	-
Other related parties						
Cathay General Hospital	4,267	142	-	1,093	38	-
Cathay Dragon Fund etc.	78,442	2,618	0.06	76,453	2,632	0.07
Total	\$110,608	\$3,691		\$77,546	\$2,670	

D. Reinsurance assets

Name	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Subsidiary								
Cathay Insurance								
(Bermuda)	\$1,035	\$35	\$43,145	\$1,446	\$7,582	\$253	\$-	\$-

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E. Loans

Name	Ending balance			
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Associates				
Taiwan Real-estate Management Corp.	\$55,000	\$1,841	\$60,000	\$2,011
Tien-Tai Energy Corp.	117,050	3,918	120,859	4,052
Other related parties				
Cathay Real Estate Development Co., Ltd.	60,000	2,009	100,000	3,352
Cathay General Hospital	2,880,412	96,432	3,025,691	101,431
Others	2,082,601	69,722	1,617,682	54,230
Total	\$5,195,063	\$173,922	\$4,924,232	\$165,076

Name	Ending balance			
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Associates				
Taiwan Real-estate Management Corp.	\$60,000	\$2,003	\$65,000	\$2,238
Tien-Tai Energy Corp.	-	-	-	-
Other related parties				
Cathay Real Estate Development Co., Ltd.	970,000	32,377	-	-
Cathay General Hospital	3,169,405	105,788	3,313,519	114,063
Others	1,476,015	49,266	890,843	30,666
Total	\$5,675,420	\$189,434	\$4,269,362	\$146,967

Name	Interest income			
	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Associates				
Taiwan Real-estate Management Corp.	\$278	\$9	\$287	\$10
Tien-Tai Energy Corp.	1,031	35	-	-
Other related parties				
Cathay Real Estate Development Co., Ltd.	299	10	4,837	161
Cathay General Hospital	16,323	546	20,034	669
Others	10,116	339	7,837	262
Total	\$28,047	\$939	\$32,995	\$1,102

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Name	Interest income			
	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Associates				
Taiwan Real-estate Management Corp.	\$562	\$19	\$594	\$20
Tien-Tai Energy Corp.	2,069	69	-	-
Other related parties				
Cathay Real Estate Development Co., Ltd.	821	27	5,698	190
Cathay General Hospital	33,031	1,106	40,525	1,353
Others	19,072	639	13,125	438
Total	\$55,555	\$1,860	\$59,942	\$2,001

F. Available-for-sale financial assets

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$398,733	\$13,349	\$290,068	\$9,724
Cathay Healthcare Management Co., Ltd.	63,788	2,135	64,868	2,175
Total	\$462,521	\$15,484	\$354,936	\$11,899

Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$164,977	\$5,506	\$236,464	\$8,140
Cathay Healthcare Management Co., Ltd.	62,370	2,082	34,125	1,175
Total	\$227,347	\$7,588	\$270,589	\$9,315

G. Deposit

Name	Ending balance			
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Associate				
Symphox Information	\$13,037	\$436	\$142,617	\$4,781
Other related parties				
Cathay Real Estate Development Co., Ltd.	232,757	7,792	226,980	7,609
Cathay Dragon Fund etc.	133,511	4,470	1,970,907	66,072
Others	9,496,197	317,918	8,558,652	286,914
Total	\$9,875,502	\$330,616	\$10,899,156	\$365,376

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Name	Ending balance			
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Associate				
Symphox Information	\$102,752 (Note)	\$3,430 (Note)	\$167,730 (Note)	\$5,774 (Note)
Other related parties				
Cathay Real Estate Development Co., Ltd.	249,993	8,344	279,019	9,605
Cathay Dragon Fund etc.	1,814,812	60,574	3,258,081	112,154
Others	8,784,991	293,224	7,234,987	249,053
Total	<u>\$10,952,548</u>	<u>\$365,572</u>	<u>\$10,939,817</u>	<u>\$376,586</u>

Name	Interest expense			
	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Associate				
Symphox Information	\$80	\$3	\$402 (Note)	\$13 (Note)
Other related parties				
Cathay Real Estate Development Co., Ltd.	43	1	53	2
Cathay Dragon Fund etc.	731	24	4,738	158
Others	25,476	853	26,050	869
Total	<u>\$26,330</u>	<u>\$881</u>	<u>\$31,243</u>	<u>\$1,042</u>

Name	Interest expense			
	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Associate				
Symphox Information	\$404	\$14	\$831 (Note)	\$27 (Note)
Other related parties				
Cathay Real Estate Development Co., Ltd.	65	2	112	4
Cathay Dragon Fund etc.	4,852	162	8,740	292
Others	50,722	1,698	52,528	1,753
Total	<u>\$56,043</u>	<u>\$1,876</u>	<u>\$62,211</u>	<u>\$2,076</u>

Note: As a subsidiary of the Group during the period.

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H. Property transactions

(A) Cathay Life's significant transactions of undertaking contracted projects with related parties are listed below:

Name	2014.1.1~2014.6.30		
	Item	NT\$	US\$
Other related parties			
Cathay Real Estate Development Co., Ltd.	Cathay Land Mark, etc.	\$9,407	\$315
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	418,457	14,009
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	33,951	1,137
Total		<u>\$461,815</u>	<u>\$15,461</u>

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

The total amounts of contracted projects for real estate as of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, between Cathay Life and Lin Yuan Property Management Co., Ltd. were NT\$60,228 (US\$2,016) thousands, NT\$95,481 (US\$3,201) thousands, NT\$12,189 (US\$407) thousands and NT\$3,408 (US\$117) thousands, respectively.

The total amounts of contracted projects for real estate as of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, between Cathay Life and San Ching Engineering Co., Ltd. were NT\$5,533,083 (US\$185,239) thousands, NT\$5,535,807 (US\$185,579) thousands, NT\$5,493,034 (US\$183,346) thousands and NT\$5,483,615 (US\$188,765) thousands, respectively.

The total amounts of contracted projects for real estate as of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, between Cathay Life and Cathay Real Estate Development Co., Ltd. were NT\$49,306 (US\$1,651) thousands, NT\$49,306 (US\$1,653) thousands, NT\$49,306 (US\$1,646) 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			
	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Securities Investment Consulting	\$2,211	\$74	\$2,181	\$73
Associate				
Symphox Information	6,110	205	4,082	136
			(Note)	(Note)
Other related parties				
Cathay Real Estate Development Co., Ltd.	4,343	145	4,343	145
San Ching Engineering Co., Ltd.	1,386	46	1,508	50
Cathay General Hospital	78,096	2,615	43,552	1,454
Cathay Healthcare Management Co., Ltd.	11,650	390	8,586	287
Cathay Hospitality Management Co., Ltd.	61,765	2,068	1,206	40
Total	\$165,561	\$5,543	\$65,458	\$2,185

Name	Rental income			
	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Securities Investment Consulting	\$4,423	\$148	\$4,382	\$146
Associate				
Symphox Information	12,178	408	8,156	272
			(Note)	(Note)
Other related parties				
Cathay Real Estate Development Co., Ltd.	8,686	291	8,686	290
San Ching Engineering Co., Ltd.	2,773	93	3,017	101
Cathay General Hospital	88,885	2,976	87,104	2,907
Cathay Healthcare Management Co., Ltd.	23,066	772	17,189	574
Cathay Hospitality Management Co., Ltd.	65,219	2,183	2,075	69
Total	\$205,230	\$6,871	\$130,609	\$4,359

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Name	Guarantee deposits received			
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Associate				
Symphox Information	\$8,355	\$280	\$5,922	\$199
Other related party				
Cathay Real Estate Development Co., Ltd.	4,028	135	4,028	135
Cathay General Hospital	10,166	340	10,166	341
Cathay Healthcare Management Co., Ltd.	8,593	288	8,012	269
Total	\$31,142	\$1,043	\$28,128	\$944

Name	Guarantee deposits received			
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Associate				
Symphox Information	\$6,682 (Note)	\$224 (Note)	\$3,942 (Note)	\$136 (Note)
Other related parties				
Cathay Real Estate Development Co., Ltd.	4,028	134	4,028	139
Cathay General Hospital	10,166	339	10,166	350
Cathay Healthcare Management Co., Ltd.	8,012	267	8,012	276
Total	\$28,888	\$964	\$26,148	\$901

Note: As a subsidiary of the Group during the period.

Lease periods are usually between 2 to 5 years and rental incomes are collected on a monthly basis.

(C) Real estate rental expense from Cathay Life and Cathay United Bank:

Name	Rental expense			
	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Real Estate Development Co., Ltd.	\$15,064	\$504	\$17,771	\$593

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Name	Rental expense			
	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Real Estate Development Co., Ltd.	\$30,129	\$1,009	\$36,946	\$1,233

Name	Guarantee deposits paid			
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Real Estate Development Co., Ltd.	\$13,932	\$466	\$13,932	\$467

Name	Guarantee deposits paid			
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Real Estate Development Co., Ltd.	\$13,932	\$465	\$13,932	\$480

I. Guarantee deposits

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
	Other related parties			
Cathay Healthcare Management Co., Ltd.	\$3,599	\$121	\$2,446	\$82
Lin Yuan Property Management Co., Ltd.	5,000	167	5,000	168
Total	\$8,599	\$288	\$7,446	\$250

Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
	Other related parties			
Cathay Healthcare Management Co., Ltd.	\$3,534	\$118	\$-	\$-
Lin Yuan Property Management Co., Ltd.	5,000	167	5,000	172
Total	\$8,534	\$285	\$5,000	\$172

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J. Futures traders' equity

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Dragon Fund etc.	\$153,262	\$5,131	\$153,195	\$5,136

Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Dragon Fund etc.	\$166,726	\$5,565	\$166,848	\$5,743

K. Securities sold under agreements to repurchase

Name	Ending balance								
	2014.6.30		2013.12.31		2013.6.30		2013.1.1		
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Other related party									
Others	\$28,014	\$938	\$-	\$-	\$-	\$-	\$60,081	\$2,068	

Name	Interest expense							
	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Other related party								
Others	\$50	\$2	\$31	\$1	\$50	\$2	\$121	\$4

L. Payables

Name	2014.6.30			2013.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Subsidiaries						
Cathay Insurance (Bermuda)	\$-	\$-	-	\$14,109	\$473	0.04
Seaward Card	23,644	792	0.04	24,857	833	0.07
Associate						
Symphox Information	60,063	2,011	0.09	21,559	723	0.06
Other related parties						
Lin Yuan Property Management Co., Ltd.	8,556	286	0.01	1,383	46	-
San Ching Engineering Co., Ltd.	-	-	-	-	-	-
Vietinbank	284,193	9,514	0.43	119,800	4,016	0.32
Total	\$376,456	\$12,603		\$181,708	\$6,091	

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Name	2013.6.30			2013.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Subsidiaries						
Cathay Insurance (Bermuda)	\$14,109	\$471	0.03	\$-	\$-	-
Seaward Card	25,497	851	0.05	26,131	900	0.04
Associate						
Symphox Information	56,760 (Note)	1,896 (Note)	0.11	16,368 (Note)	564 (Note)	0.03
Other related parties						
Lin Yuan Property Management Co., Ltd.						
Co., Ltd.	30,600	1,021	0.06	3,580	123	0.01
San Ching Engineering Co., Ltd.	13,939	465	0.03	326	11	-
Vietinbank	572,280	19,101	1.06	407,904	14,041	0.68
Total	<u>\$713,185</u>	<u>\$23,805</u>		<u>\$454,309</u>	<u>\$15,639</u>	

Note: As a subsidiary of the Group during the period.

M.Net commission and handling fee

(A) Handling fee income

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Securities Investment Consulting	<u>\$7,073</u>	<u>\$237</u>	<u>\$5,490</u>	<u>\$183</u>

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Securities Investment Consulting	<u>\$12,404</u>	<u>\$415</u>	<u>\$10,911</u>	<u>\$364</u>

(B) Reinsurance service expense

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Insurance (Bermuda)	<u>\$1,721</u>	<u>\$58</u>	<u>\$1,607</u>	<u>\$54</u>

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Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Insurance (Bermuda)	\$4,299	\$144	\$5,645	\$188

N. Net premiums from insurance business

(A) Insurance income

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay General Hospital	\$13,090	\$438	\$9,858	\$329
San Ching Engineering Co., Ltd.	4,774	160	12	-
Others	22,643	758	24,869	830
Total	\$40,507	\$1,356	\$34,739	\$1,159

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay General Hospital	\$20,466	\$685	\$19,830	\$662
San Ching Engineering Co., Ltd.	4,778	160	23	1
Others	58,783	1,968	59,293	1,979
Total	\$84,027	\$2,813	\$79,146	\$2,642

(B) Reinsurance income

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Insurance (Bermuda)	\$-	\$-	\$29,916	\$999

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Insurance (Bermuda)	\$39,821	\$1,333	\$70,082	\$2,339

On 1 April 2000, Cathay Insurance (Bermuda) engaged in the reinsurance business providing reinsurance for RGA Global Reinsurance Company and Central Reinsurance Corporation's accidental insurance. For the six-month periods ended 30 June 2014 and 2013, Cathay Life assumed 90% of the reinsurance business from Cathay Insurance (Bermuda).

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(C) Reinsurance claims payment

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Insurance (Bermuda)	\$190	\$6	\$73,242	\$2,445

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Insurance (Bermuda)	\$51,871	\$1,737	\$103,263	\$3,447

O. Net other non-interest income

Management fee income

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Dragon Fund etc.	\$165,062	\$5,526	\$252,176	\$8,417

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Dragon Fund etc.	\$498,774	\$16,698	\$508,475	\$16,972

P. Operating expenses

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Securities Investment Consulting	\$-	\$-	\$6,340	\$212
Seaward Card	66,939	2,241	73,863	2,465
Associate				
Symphox Information	185,332	6,205	181,287	6,051
			(Note)	(Note)
Other related parties				
Cathay Real Estate Development Co., Ltd.	3,845	129	5,127	171
Lin Yuan Property Management Co., Ltd.	181,294	6,069	265,147	8,850
Cathay Healthcare Management Co., Ltd.	4,960	166	3,950	132
Total	\$442,370	\$14,810	\$535,714	\$17,881

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Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Securities Investment Consulting	\$672	\$23	\$12,679	\$423
Seaward Card	151,571	5,074	173,764	5,800
Associate				
Symphox Information	376,826	12,616	355,561	11,868
			(Note)	(Note)
Other related parties				
Cathay Real Estate Development Co., Ltd.	8,531	286	9,154	306
Lin Yuan Property Management Co., Ltd.	366,898	12,283	435,013	14,520
Cathay Healthcare Management Co., Ltd.	11,869	397	6,373	212
Total	<u>\$916,367</u>	<u>\$30,679</u>	<u>\$992,544</u>	<u>\$33,129</u>

Note: As a subsidiary of the Group during the period.

Q. Key management personnel compensation

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Short-term employee benefits	\$105,401	\$3,528	\$84,731	\$2,828
Post-employment pension	4,295	144	4,079	136
Termination benefits	-	-	-	-
Total	<u>\$109,696</u>	<u>\$3,672</u>	<u>\$88,810</u>	<u>\$2,964</u>

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Short-term employee benefits	\$283,688	\$9,497	\$244,410	\$8,158
Post-employment pension	6,989	234	7,444	248
Termination benefits	-	-	2,708	90
Total	<u>\$290,677</u>	<u>\$9,731</u>	<u>\$254,562</u>	<u>\$8,496</u>

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

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(3) The Company

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

A. Cash in bank

Name	Item	Ending balance			
		2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiary					
Cathay United Bank	Time deposit	\$-	\$-	\$-	\$-
	Cash in bank	1,307	44	3,982	133
	Total	<u>\$1,307</u>	<u>\$44</u>	<u>\$3,982</u>	<u>\$133</u>

Name	Item	Ending balance			
		2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiary					
Cathay United Bank	Time deposit	\$140,058	\$4,675	\$87,408	\$3,009
	Cash in bank	9,421	314	5,981	206
	Total	<u>\$149,479</u>	<u>\$4,989</u>	<u>\$93,389</u>	<u>\$3,215</u>

Interest income from Cathay United Bank for the three-month and six-month periods ended 30 June 2014 and 2013 were NT\$20 (US\$1) thousands, NT\$232 (US\$8) thousands, NT\$23 (US\$1) thousands and NT\$469 (US\$16) thousands, respectively.

B. Receivables

Name	Item	2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay Life	Interest	\$3,909,263	\$130,876	\$3,458,995	\$115,957
Cathay Century	Receivables due to consolidated income tax and interest	81,950	2,743	212,790	7,133
Cathay Securities	Receivables due to consolidated income tax	-	-	-	-
Cathay Securities Investment Trust	Receivables due to consolidated income tax	41,840	1,401	58,705	1,968
	Total	<u>\$4,033,053</u>	<u>\$135,020</u>	<u>\$3,730,490</u>	<u>\$125,058</u>

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Name	Item	2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay Life	Interest	\$3,001,263	\$100,176	\$2,550,995	\$87,814
Cathay Century	Receivables due to consolidated income tax and interest	118,260	3,947	172,887	5,951
Cathay Securities	Receivables due to consolidated income tax	6,361	212	111,308	3,832
Cathay Securities Investment Trust	Receivables due to consolidated income tax	36,064	1,204	19,154	659
Total		\$3,161,948	\$105,539	\$2,854,344	\$98,256

C. Guarantee deposits paid

Name	Ending balance			
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$8,046	\$269	\$8,505	\$285

Name	Ending balance			
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$7,115	\$237	\$6,604	\$227

D. Held-to-maturity financial asset

Name	Ending balance			
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$30,000,000	\$1,004,352	\$30,000,000	\$1,005,699
Cathay Century	1,000,000	33,479	1,000,000	33,523
Total	\$31,000,000	\$1,037,831	\$31,000,000	\$1,039,222

English Translation of Financial Statements Originally Issued in Chinese

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

Name	Ending balance			
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$30,000,000	\$1,001,335	\$30,000,000	\$1,032,702
Cathay Century	1,000,000	33,378	1,000,000	34,424
Total	\$31,000,000	\$1,034,713	\$31,000,000	\$1,067,126

E. Payables

Name	Item	2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay Life	Payable due to consolidated income tax	\$7,079,296	\$237,004	\$7,550,281	\$253,110
Cathay United Bank	Payable due to consolidated income tax	502,245	16,814	256,312	8,592
Cathay Securities	Payable due to consolidated income tax	6,666	223	6,495	218
Total		\$7,588,207	\$254,041	\$7,813,088	\$261,920

Name	Item	2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay Life	Payable due to consolidated income tax	\$6,455,375	\$215,466	\$5,235,287	\$180,216
Cathay United Bank	Payable due to consolidated income tax	375,330	12,528	246,573	8,488
Cathay Securities	Payable due to consolidated income tax	6,361	212	-	-
Total		\$6,837,066	\$228,206	\$5,481,860	\$188,704

F. Interest income

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$226,378	\$7,579	\$226,378	\$7,556
Cathay Century	4,638	155	4,638	155
Total	\$231,016	\$7,734	\$231,016	\$7,711

English Translation of Financial Statements Originally Issued in Chinese

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

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$450,268	\$15,074	\$450,268	\$15,029
Cathay Century	9,224	309	9,224	308
Total	\$459,492	\$15,383	\$459,492	\$15,337

G. Operating expenses

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$8,663	\$290	\$7,871	\$263

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$17,592	\$589	\$15,567	\$520

(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			
		2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay United Bank	Time deposit	\$4,482	\$150	\$7,482	\$251
	Cash in bank	18,302,964	612,754	24,802,249	831,453
	Check deposits	531,090	17,780	747,053	25,044
	Security deposit	6	-	6	-
Indovina Bank	Time deposit	-	-	-	-
	Cash in bank	8,361	280	5,226	175
		\$18,846,903	\$630,964	\$25,562,016	\$856,923

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

Name	Item	Ending balance			
		2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay United Bank	Time deposit	\$44,628,382	\$1,489,599	\$57,338,698	\$1,973,793
	Cash in bank	8,616,270	287,592	15,791,906	543,611
	Check deposits	485,240	16,196	954,116	32,844
	Security deposit	6	-	6	-
Indovina Bank	Time deposit	39,662	1,324	471	16
	Cash in bank	145,932	4,871	2,737	94
		<u>\$53,915,492</u>	<u>\$1,799,582</u>	<u>\$74,087,934</u>	<u>\$2,550,358</u>

Interest income from Cathay United Bank for the three-month and six-month period ended 30 June 2014 and 2013, were NT\$6,507 (US\$218) thousands, NT\$151,719 (US\$5,064) thousands, NT\$11,118 (US\$372) thousands and NT\$280,102 (US\$9,349) thousands, respectively.

Interest income from Indovina Bank for the three-month and six-month period ended 30 June 2014 and 2013 were NT\$25 (US\$1) thousands, NT\$1,731 (US\$58) thousands, NT\$85 (US\$3) thousands and NT\$3,205 (US\$107) thousands, respectively.

As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, time deposit pledged were NT\$4,482 (US\$150) thousands, NT\$7,482 (US\$251) thousands, NT\$8,382 (US\$280) thousands and NT\$8,698 (US\$299) thousands, respectively.

b. Investments in debt securities with no active market

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay United Bank	\$3,000	\$100	\$3,000	\$101

Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay United Bank	\$3,000	\$100	\$3,000	\$103

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

c. Other receivables

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding (Note)	\$7,079,296	\$237,004	\$7,550,281	\$253,110
Subsidiary				
Cathay Century	316,470	10,595	164,984	5,531
Total	<u>\$7,395,766</u>	<u>\$247,599</u>	<u>\$7,715,265</u>	<u>\$258,641</u>

Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding (Note)	\$6,455,375	\$215,466	\$5,235,287	\$180,216
Subsidiary				
Cathay Century	188,771	6,301	141,412	4,868
Total	<u>\$6,644,146</u>	<u>\$221,767</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	2014.1.1~2014.6.30						
	Maximum amount		Interest Income		Rate	Ending balance	
	NT\$	US\$	NT\$	US\$		NT\$	US\$
Other related parties							
Cathay General Hospital	\$2,926,691	\$97,981	\$31,583	\$1,057	2.01%~2.55%	\$2,781,412	\$93,117
Others	820,335	27,464	6,906	231	1.34%~3.78%	797,239	26,690
Total			<u>\$38,489</u>	<u>\$1,288</u>		<u>\$3,578,651</u>	<u>\$119,807</u>

Name	2013.1.1~2013.6.30						
	Maximum amount		Interest Income		Rate	Ending balance	
	NT\$	US\$	NT\$	US\$		NT\$	US\$
Other related parties							
Cathay General Hospital	\$3,210,519	\$107,160	\$39,048	\$1,303	2.43%~2.55%	\$3,070,405	\$102,483
Others	595,109	19,863	4,174	139	1.34%~3.88%	583,396	19,473
Total			<u>\$43,222</u>	<u>\$1,442</u>		<u>\$3,653,801</u>	<u>\$121,956</u>

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

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related party Cathay Dragon Fund etc.	\$2,399,154	\$80,320	\$2,008,405	\$67,328

Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related party Cathay Dragon Fund etc.	\$1,976,270	\$65,964	\$2,319,889	\$79,858

f. Guarantee deposits paid

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiary Cathay Futures	\$913,237	\$30,574	\$711,826	\$23,863

Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiary Cathay Futures	\$660,047	\$22,031	\$364,739	\$12,556

The guarantee deposits are futures margins of Cathay Futures. The imputed interest income of guarantee deposit paid from Cathay Futures for the three-month and six-month periods ended 30 June 2014 and 2013 were NT\$261(US\$9) thousands, NT\$275 (US\$9) thousands, NT\$564(US\$19) thousands and NT\$431 (US\$14) thousands, respectively.

g. Other payables

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
The Company Cathay Financial Holding (Note)	\$3,909,263	\$130,876	\$3,458,995	\$115,957

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Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding (Note)	\$3,001,263	\$100,176	\$2,550,995	\$87,814

Note: Interest payable accrued from preferred stock liability.

h. Preferred stock liability

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$30,000,000	\$1,004,352	\$30,000,000	\$1,005,699

Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$30,000,000	\$1,001,335	\$30,000,000	\$1,032,702

i. Property transactions

Property transactions between Cathay Life and related parties are in the nature of undertaking contracted projects, trade, and lease transactions. The terms of such transactions are based on market surveys, the contracted terms of both parties and public bidding.

Real estate contracted projects of Cathay Life:

Name	Item	2014.1.1~2014. 6.30	
		NT\$	US\$
Other related party			
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	\$418,457	\$14,009

Name	Item	2013.1.1~2013. 6.30	
		NT\$	US\$
Other related party			
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	\$1,018,531	\$33,996

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The total amounts of contracted projects for real estate as of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, between Cathay Life and San Ching Engineering Co., Ltd. were NT\$5,533,083 (US\$185,239) thousands, NT\$5,535,807 (US\$185,579) thousands, NT\$5,493,034 (US\$183,346) thousands and NT\$5,483,615 (US\$188,765) thousands, respectively.

j. Rental income

Name	Item	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
		NT\$	US\$	NT\$	US\$
Subsidiary					
Cathay United Bank	Real-estate rental income	\$100,390	\$3,361	\$92,891	\$3,101

Name	Item	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
		NT\$	US\$	NT\$	US\$
Subsidiary					
Cathay United Bank	Real-estate rental income	\$199,553	\$6,681	\$188,193	\$6,281

According to contracts, leasing periods are generally 3 years, and rentals are usually paid on a monthly basis.

k. Insurance income

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay United Bank	\$18,044	\$604	\$174,847	\$5,836

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay United Bank	\$29,920	\$1,002	\$345,487	\$11,532

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

l. Reinsurance claim payments

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Insurance (Bermuda)	\$190	\$6	\$73,242	\$2,445

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Insurance (Bermuda)	\$51,871	\$1,737	\$103,263	\$3,447

m. Miscellaneous income

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Century	\$422,134	\$14,132	\$306,983	\$10,246

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Century	\$761,206	\$25,484	\$628,154	\$20,966

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

n. Insurance expense

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Century	\$115,791	\$3,876	\$24,002	\$801

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Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Century	\$121,720	\$4,075	\$99,596	\$3,324

The insurance expenses were related to insurance for property and equipment, cash, public accident, etc. Amounts of NT\$3,750 (US\$126) thousands, NT\$3,400 (US\$113) thousands, NT\$4,500 (US\$151) thousands and NT\$5,950 (US\$199) thousands paid by Cathay Life on behalf of its employees for fidelity bond insurance were included in the above insurance expenses for the three-month and six-month periods ended 30 June 2014 and 2013, respectively.

o. Operating expenses

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay United Bank	\$862,381	\$28,871	\$535,495	\$17,874
Other related party				
Lin Yuan Property Management Co., Ltd.	178,920	5,990	262,767	8,770
Total	\$1,041,301	\$34,861	\$798,262	\$26,644

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay United Bank	\$1,734,229	\$58,059	\$1,079,052	\$36,016
Other related party				
Lin Yuan Property Management Co., Ltd.	363,078	12,155	430,965	14,385
Total	\$2,097,307	\$70,214	\$1,510,017	\$50,401

p. Non-operating income and expenses

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$226,378	\$7,579	\$226,378	\$7,556

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Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$450,268	\$15,074	\$450,268	\$15,029

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

q. Other disclosures

As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the nominal amounts (in thousands) of the financial instruments transactions with Cathay United Bank are summarized as below:

Item	2014.6.30	2013.12.31	2013.6.30	2013.1.1
CS contracts	US\$1,030,000	US\$1,045,000	US\$885,000	US\$985,000

Cathay Life had entered a credit assignment agreement with Cathay United Bank in the amounts of NT\$307,050 (US\$10,280) thousands as of 30 June 2014.

B. Cathay United Bank and its subsidiaries

a. Loans and deposits

Account/Name	Ending balance			
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
<u>Loans</u>				
Associate				
Tien-Tai Energy Corp.	\$117,050	\$3,919	\$120,859	\$4,052
Other related parties				
Cathay Real Estate Development Co., Ltd.	60,000	2,009	100,000	3,352
Cathay General Hospital	99,000	3,314	99,000	3,319
Others	1,248,518	41,798	890,965	29,868
Total	\$1,524,568	\$51,040	\$1,210,824	\$40,591

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Account/Name	Ending balance			
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Loans				
Associate				
Tien-Tai Energy Corp.	\$-	\$-	\$-	\$-
Other related parties				
Cathay Real Estate Development Co., Ltd.	970,000	32,377	-	-
Cathay General Hospital	99,000	3,304	103,000	3,546
Others	856,509	28,588	385,830	13,281
Total	<u>\$1,925,509</u>	<u>\$64,269</u>	<u>\$488,830</u>	<u>\$16,827</u>

Account/Name	Ending balance			
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Deposits				
The Company				
Cathay Financial Holding	\$1,307	\$43	\$3,982	\$134
Subsidiaries				
Cathay Life	18,841,542	630,785	25,559,790	856,849
Cathay Century	1,254,491	41,998	1,470,311	49,290
Cathay Securities	1,250,488	41,864	1,300,263	43,589
Cathay Futures	1,926,140	64,484	1,920,210	64,372
Cathay Securities Investment Trust	311,375	10,424	344,818	11,559
Cathay Venture	167,591	5,611	44,992	1,508
Cathay Life (Vietnam)	8,361	280	5,226	175
Cathay Century (Vietnam)	253,864	8,499	179,870	6,030
Associate				
Symphox Information	13,037	436	142,617	4,781
Other related parties				
Cathay Real Estate Development Co., Ltd.	232,757	7,792	226,980	7,609
Cathay Dragon Fund etc.	133,511	4,470	1,970,907	66,071
Others	9,496,197	317,918	8,558,652	286,914
Total	<u>\$33,890,661</u>	<u>\$1,134,604</u>	<u>\$41,728,618</u>	<u>\$1,398,881</u>

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Account/Name	Ending balance			
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
<u>Deposits</u>				
The Company				
Cathay Financial Holding	\$149,479	\$4,989	\$93,389	\$3,215
Subsidiaries				
Cathay Life	53,630,146	1,790,058	73,919,996	2,544,578
Cathay Century	1,447,888	48,327	1,285,715	44,259
Cathay Securities	1,224,490	40,871	1,797,618	61,880
Cathay Futures	2,238,094	74,703	1,978,796	68,117
Cathay Securities Investment Trust	755,049	25,202	1,745,795	60,096
Cathay Venture	88,743	2,962	65,757	2,263
Cathay Life (Vietnam)	185,594	6,195	1,595	55
Cathay Century (Vietnam)	319,876	10,677	326,295	11,232
Associate				
Symphox Information	102,752	3,430	167,730	5,774
Other related parties				
Cathay Real Estate Development Co., Ltd.	249,993	8,344	279,019	9,605
Cathay Dragon Fund etc.	1,814,812	60,574	3,258,081	112,154
Others	8,784,991	293,224	7,234,987	249,053
Total	<u>\$70,991,907</u>	<u>\$2,369,556</u>	<u>\$92,154,773</u>	<u>\$3,172,281</u>

Name	Interest income			
	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
<u>Loans</u>				
Associate				
Tien-Tai Energy Corp.	\$1,031	\$35	\$-	\$-
Other related parties				
Cathay Real Estate Development Co., Ltd.	299	10	4,837	162
Cathay General Hospital	728	24	728	24
Others	6,333	212	4,298	143
Total	<u>\$8,391</u>	<u>\$281</u>	<u>\$9,863</u>	<u>\$329</u>

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Name	Interest income			
	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
<u>Loans</u>				
Associate				
Tien-Tai Energy Corp.	\$2,069	\$69	\$-	\$-
Other related parties				
Cathay Real Estate Development Co., Ltd.	821	27	5,698	190
Cathay General Hospital	1,448	48	1,477	49
Others	11,818	396	8,598	287
Total	\$16,156	\$540	\$15,773	\$526

Name	Interest expense			
	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
<u>Deposits</u>				
The Company				
Cathay Financial Holding	\$20	\$1	\$232	\$8
Subsidiaries				
Cathay Life	6,507	218	151,317	5,051
Cathay Century	2,419	81	2,403	80
Cathay Securities	1,211	41	2,459	82
Cathay Futures	5,799	194	7,179	240
Cathay Venture	99	3	277	9
Cathay Securities Investment Trust	1,207	40	2,710	90
Cathay Life (Vietnam)	25	1	1,731	58
Cathay Century (Vietnam)	2,750	92	7,480	250
Associate				
Symphox Information	80	3	402	13
Other related parties				
Cathay Real Estate Development Co., Ltd.	43	1	53	2
Cathay Dragon Fund etc.	731	24	4,738	158
Others	25,476	853	26,050	869
Total	\$46,367	\$1,552	\$207,031	\$6,910

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Name	Interest expense							
	2014.1.1~2014.6.30		2013.1.1~2013.6.30					
	NT\$	US\$	NT\$	US\$				
<u>Deposits</u>								
The Company								
Cathay Financial Holding	\$23	\$1	\$469	\$16				
Subsidiaries								
Cathay Life	11,118	372	279,271	9,321				
Cathay Century	5,173	173	4,737	158				
Cathay Securities	2,506	84	4,853	162				
Cathay Futures	11,815	396	13,610	454				
Cathay Venture	200	7	440	15				
Cathay Securities Investment Trust	1,789	60	5,143	172				
Cathay Life (Vietnam)	85	3	3,205	107				
Cathay Century (Vietnam)	5,759	193	16,433	548				
Associate								
Symphox Information Co., Ltd.	404	13	831	28				
Other related parties								
Cathay Real Estate Development Co., Ltd.	65	2	112	4				
Cathay Dragon Fund etc.	4,852	162	8,740	292				
Others	50,722	1,698	52,528	1,753				
Total	<u>\$94,511</u>	<u>\$3,164</u>	<u>\$390,372</u>	<u>\$13,030</u>				
Ending balance								
Account/Name	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Call loans to banks</u>								
Other related party								
Vietinbank	\$-	\$-	\$6,554,374	\$219,724	\$6,238,460	\$208,226	\$6,376,067	\$219,486
<u>Due from commercial banks</u>								
Other related party								
Vietinbank	7,021,929	235,083	16,175	542	5,592	187	5,722	197
<u>Call loans from banks</u>								
Other related party								
Vietinbank	-	-	3,844,124	128,868	3,579,578	119,479	2,797,772	96,309
<u>Due to commercial banks</u>								
Other related party								
Vietinbank	3,520,074	117,846	1,601	54	33,521	1,119	5,722	197

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Account/Name	Interest income							
	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Call loans to banks</u>								
Other related party								
Vietinbank	\$-	\$-	\$50,858	\$1,698	\$28,198	\$944	\$115,892	\$3,868
<u>Call loans from banks</u>								
Other related party								
Vietinbank	50,031	1,675	-	-	70,571	2,363	-	-

Account/Name	Interest expense							
	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Call loans from banks</u>								
Other related party								
Vietinbank	\$31,158	\$1,043	\$82,166	\$2,743	\$70,906	\$2,374	\$145,906	\$4,870
<u>Due to commercial banks</u>								
Other related party								
Vietinbank	9,367	314	-	-	9,367	314	-	-

Cathay Bank and its subsidiaries' transaction terms with related parties are similar to those with third parties except that employees are given favorable interest rates within specified limit for savings and loans.

b. Securities sold under agreements to repurchase

Name	Ending balance			
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Securities Investment Trust	\$-	\$-	\$-	\$-

Name	Ending balance			
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Securities Investment Trust	\$425,000	\$14,186	\$20,000	\$689

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Name	Interest expense			
	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Securities Investment Trust	\$-	\$-	\$507	\$17

Name	Interest expense			
	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Securities Investment Trust	\$-	\$-	\$572	\$19

c. Receivables due to consolidated income tax

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$502,245	\$16,814	\$256,312	\$8,592

Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$375,330	\$12,528	\$246,573	\$8,488

d. Dividends payable

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related party				
Vietinbank	\$284,193	\$9,514	\$119,800	\$4,016

Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related party				
Vietinbank	\$572,280	\$19,101	\$407,904	\$14,041

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e. Rental expense

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$100,390	\$3,361	\$92,891	\$3,101

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$199,553	\$6,681	\$188,193	\$6,281

e. Handling fees income

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$862,381	\$28,871	\$535,495	\$17,874

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$1,734,229	\$58,059	\$1,079,052	\$36,016

f. Insurance expenses

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$18,044	\$604	\$174,847	\$5,836

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$29,920	\$1,002	\$345,487	\$11,532

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g. Operating expenses

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Seaward Card	\$43,620	\$1,460	\$46,819	\$1,563
Associate				
Symphox Information	102,877	3,444	100,161	3,343
Total	\$146,497	\$4,904	\$146,980	\$4,906

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Seaward Card	\$108,068	\$3,618	\$117,390	\$3,918
Associate				
Symphox Information	222,399	7,446	206,968	6,908
Total	\$330,467	\$11,064	\$324,358	\$10,826

C. Cathay Century and its subsidiaries

a. Cash in banks

Name	Item	Ending balance			
		2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay United Bank	Time deposit	\$642,700	\$21,516	\$693,131	\$23,236
	Cash in bank	488,376	16,350	619,878	20,781
	Check deposit	123,415	4,132	157,302	5,273
Indovina Bank	Time deposit	234,415	7,848	175,808	5,894
	Cash in bank	19,449	651	4,062	136
Total		\$1,508,355	\$50,497	\$1,650,181	\$55,320

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Name	Item	Ending balance			
		2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiary					
Cathay United Bank	Time deposit	\$650,200	\$21,702	\$695,800	\$23,952
	Cash in bank	609,060	20,329	416,944	14,353
	Check deposit	188,628	6,296	172,971	5,954
Indovina Bank	Time deposit	317,088	10,584	322,229	11,092
	Cash in bank	2,788	93	4,066	140
	Total	\$1,767,764	\$59,004	\$1,612,010	\$55,491

Interest income from Cathay United Bank for the three-month and six-month periods ended 30 June 2014 and 2013 were NT\$2,419 (US\$81) thousands, NT\$2,403 (US\$80) thousands, NT\$5,173 (US\$173) thousands and NT\$4,737 (US\$158) thousands, respectively.

Interest income from Indovina Bank for the three-month and six-month periods ended 30 June 2014 and 2013 were NT\$2,750 (US\$92) thousands, NT\$7,480 (US\$250) thousands, NT\$5,759 (US\$193) thousands and NT\$16,433 (US\$548) thousands, respectively.

As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, time deposit pledged were NT\$25,000 (US\$837) thousands, NT\$25,000 (US\$838) thousands, NT\$25,000 (US\$834) and NT\$25,000 (US\$861) thousands, respectively.

b. Available-for-sale financial assets

Name	Item	2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
Other related party					
Cathay Dragon Fund etc.	Beneficiary certificates	\$220,224	\$7,373	\$146,836	\$4,922

Name	Item	2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
Other related party					
Cathay Dragon Fund etc.	Beneficiary certificates	\$21,006	\$701	\$67,557	\$2,326

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c. Other payables

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$81,950	\$2,743	\$212,790	\$7,133
Subsidiary				
Cathay Life	316,470	10,595	164,984	5,531
Total	\$398,420	\$13,338	\$377,774	\$12,664

Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$118,260	\$3,947	\$172,887	\$5,951
Subsidiary				
Cathay Life	188,771	6,301	141,412	4,868
Total	\$307,031	\$10,248	\$314,299	\$10,819

d. Preferred stock liability

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$1,000,000	\$33,479	\$1,000,000	\$33,523

Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$1,000,000	\$33,378	\$1,000,000	\$34,424

e. Insurance income

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Life	\$115,791	\$3,876	\$24,002	\$801

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Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Life	\$121,720	\$4,075	\$99,596	\$3,324

f. Operating expenses

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Life	\$422,134	\$14,132	\$306,983	\$10,246

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Life	\$761,206	\$25,484	\$628,154	\$20,966

g. Other disclosure

As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the nominal amount (in thousands) of the derivative financial instruments transactions with Cathay United Bank are summarized as below:

Item	2014.6.30	2013.12.31	2013.6.30	2013.1.1
CS contracts	US\$47,950	US\$57,450	US\$72,250	US\$75,250
IRS	NT\$400,000 (US\$13,391)	NT\$400,000 (US\$13,409)	NT\$400,000 (US\$13,351)	NT\$400,000 (US\$13,769)

D. Cathay Securities and its subsidiaries

a. Cash in bank

Name	Item	Ending balance			
		2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiary					
Cathay United Bank	Time deposits	\$1,221,900	\$40,907	\$1,291,900	\$43,309
	Cash in bank	351,563	11,770	331,493	11,112
	Check deposits	1	-	1	-
	Total	\$1,573,464	\$52,677	\$1,623,394	\$54,421

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Name	Item	Ending balance			
		2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiary					
Cathay United Bank	Time deposits	\$1,342,300	\$44,803	\$1,492,300	\$51,370
	Cash in bank	244,522	8,162	662,848	22,818
	Check deposits	31	1	1	-
	Total	\$1,586,853	\$52,966	\$2,155,149	\$74,188

Interest income from Cathay United Bank for the three-month and six-month period ended 30 June 2014 and 2013 were NT\$7,010 (US\$235) thousands, NT\$9,638 (US\$322) thousands, NT\$14,321 (US\$479) thousands and NT\$18,463 (US\$616) thousands, respectively.

As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, time deposit pledged were NT\$900,000 (US\$30,131) thousands, NT\$1,000,000 (US\$33,523) thousands, NT\$1,000,000 (US\$33,378) thousands and NT\$1,000,000 (US\$34,423) thousands, respectively.

Note: In accordance with the article 14 of the “Regulations Governing Futures Commission Merchants”, the article 10 of the “Regulations Governing Futures Advisory Enterprises”, the article 7 of the “Regulations Governing Securities Investment Consulting Enterprises” and the article 17 of the “Regulations Governing Managed Futures Enterprises”, Cathay Futures lodges the time deposits in Cathay United Bank as the operating bonds. As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the operating bonds were NT\$900,000 (US\$30,131) thousands, NT\$900,000 (US\$30,171) thousands, NT\$900,000 (US\$30,040) thousands and NT\$65,000 (US\$2,238) thousands, respectively.

b. Customer’s margin accounts

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay United Bank	\$1,603,164	\$53,671	\$1,597,079	\$53,539

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Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay United Bank	\$1,875,731	\$62,608	\$1,621,265	\$55,809

c. Other payables

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$-	\$-	\$-	\$-

Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$6,361	\$212	\$111,308	\$3,832

d. Futures trader's equity

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$913,237	\$30,574	\$711,826	\$23,863
Other related party				
Cathay Dragon Fund etc.	153,262	5,131	153,195	5,136
Total	\$1,066,499	\$35,705	\$865,021	\$28,999

Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$660,047	\$22,031	\$364,739	\$12,556
Other related party				
Cathay Dragon Fund etc.	166,726	5,565	166,848	5,743
Total	\$826,773	\$27,596	\$531,587	\$18,299

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E. Cathay Securities Investment Trust

a. Cash in bank, Operating deposit and Guarantee deposit

Name	Item	Ending balance			
		2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiary					
Cathay United Bank	Time deposit				
	(Note)	\$299,087	\$10,013	\$323,850	\$10,857
	Cash in bank	246	8	75	2
	Check deposits	12,042	403	20,893	700
	Total	\$311,375	\$10,424	\$344,818	\$11,559

Name	Item	Ending balance			
		2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiary					
Cathay United Bank	Time deposit				
	(Note)	\$740,250	\$24,708	\$1,720,550	\$59,227
	Cash in bank	409	14	28	1
	Check deposits	14,390	480	25,217	868
	Total	\$755,049	\$25,202	\$1,745,795	\$60,096

Note: In accordance with “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 lodges the time deposits in Cathay United Bank as operating bonds. As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the operating bonds were NT\$50,000 (US\$1,674) thousands, NT\$50,000 (US\$1,676) thousands, NT\$50,000 (US\$1,669) thousands and NT\$50,000 (US\$1,721) thousands, respectively.

And in accordance with “Discretionary Investment Services Contract”, as of 30 June 2014, 31 December 2013, 30 June 2013, 1 January 2013, Cathay Securities Investment Trust reserved the performance bonds amounted to NT\$146,600 (US\$4,908) thousands, NT\$160,100 (US\$5,367) thousands, NT\$158,500 (US\$5,290) thousands and NT\$145,000 (US\$4,991) thousands, respectively.

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Interest income from Cathay United Bank for the three-month and six-month periods ended 30 June 2014 and 2013 were NT\$1,207 (US\$40) thousands, NT\$2,710 (US\$90) thousands, NT\$1,789 (US\$60) thousands and NT\$5,143 (US\$172) thousands, respectively.

b. Available-for-sale financial assets

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Dragon Fund etc.	\$128,458	\$4,301	\$143,232	\$4,802

Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Dragon Fund etc.	\$143,971	\$4,805	\$128,032	\$4,407

c. Securities sold under agreements to repurchase

For the six-month periods ended 30 June 2014, there is no transaction of securities under agreements to repurchase with related parties.

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

d. Management fee income

Name	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Dragon Fund etc.	\$165,062	\$5,526	\$252,176	\$8,417

Name	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Dragon Fund etc.	\$498,774	\$16,698	\$508,475	\$16,972

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36. Pledged assets

As of 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, the Group's pledged assets are summarized below:

Item	Guarantee purpose	Carrying amount	
		NT\$	US\$
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, loans, business reserves and guarantees	\$3,696,149	\$123,741
Guarantee deposits paid	Government bonds and court guarantees	10,478,659	350,809
Financial assets at fair value through profit or loss	Business reserves and guarantees, the operation of electronic gift certificate and customers' rights	-	-
Available-for-sale financial assets	Business reserves and guarantees	1,483,425	49,663
Held-to-maturity financial assets	Business reserves and guarantees	1,284,658	43,008
Investments in debt securities with no active market	Business reserves and guarantees	62,000,000	2,075,661
Other financial assets	Trust accounts	-	-
Total		\$78,942,891	\$2,642,882

Item	Guarantee purpose	Carrying amount	
		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
Financial assets at fair value through profit or loss	Business reserves and guarantees, the operation of electronic gift certificate and customers' rights	-	-
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
Other financial assets	Trust accounts	-	-
Total		\$65,820,058	\$2,206,505

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Item	Guarantee purpose	Carrying amount	
		NT\$	US\$
		2013.6.30	
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, loans, business reserves and guarantees	\$2,812,943	\$93,890
Guarantee deposits paid	Government bonds and court guarantees	10,671,459	356,190
Financial assets at fair value through profit or loss	Business reserves and guarantees, the operation of electronic gift certificate and customers' rights	47,491	1,585
Available-for-sale financial assets	Business reserves and guarantees	1,540,371	51,414
Held-to-maturity financial assets	Business reserves and guarantees	807,435	26,951
Investments in debt securities with no active market	Business reserves and guarantees	50,100,000	1,672,230
Other financial assets	Trust accounts	699	23
Total		<u>\$65,980,398</u>	<u>\$2,202,283</u>

Item	Guarantee purpose	Carrying amount	
		NT\$	US\$
		2013.1.1	
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>

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share data and unless otherwise stated)**

37. Commitment and contingent liabilities

(1) Cathay United Bank

Lee and Li Attorneys-at-Law and SanDisk Corporation filed lawsuits in the Taiwan Taipei District Court and alleged that Cathay United Bank breached its contractual and fiduciary duties in connection with the embezzlement conducted by Eddie Liu, a former employee of Lee and Li Attorneys-at-Law on October 2003. Both plaintiffs claimed indemnities amounted to NT\$0.99 billion (US\$33 million) and NT\$3.09 billion (US\$104 million), respectively. The lawsuit was in litigation procedures in July 2007 and is still under trial by 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 Cathay United 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 30 June 2014, Cathay Securities and its subsidiaries requested financial institutions issue letters of guarantees for security borrowing of NT\$890,000 (US\$29,796) thousands.

(3) As of 30 June 2014, 31 December 2013, 30 June 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	2014.6.30	
	NT\$	US\$
Trust and security held for safekeeping	\$490,542,988	\$16,422,598
Travelers checks for sale	487,247	16,312
Bills for collection	45,657,110	1,528,527
Book-entry for government bonds and depository for short-term marketable securities under management	544,527,400	18,229,910
Entrusted financial management business	5,387,639	180,370
Guarantees on duties and contracts	10,191,506	341,195
Unused commercial letters of credit	6,379,438	213,573
Irrevocable loan commitments	195,036,752	6,529,520
Credit card lines commitments	404,881,179	13,554,777
Stamp tax, securities and memorial currency consignments	-	-
Financial guarantee contracts	1,522,735	50,979

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share data and unless otherwise stated)**

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

Item	2013.6.30	
	NT\$	US\$
Trust and security held for safekeeping	\$395,752,086	\$13,209,349
Travelers checks for sale	472,990	15,787
Bills for collection	42,506,808	1,418,785
Book-entry for government bonds and depository for short-term marketable securities under management	564,703,900	18,848,595
Entrusted financial management business	4,262,909	142,287
Guarantees on duties and contracts	10,711,299	357,520
Unused commercial letters of credit	5,004,103	167,026
Irrevocable loan commitments	63,943,341	2,134,290
Credit card lines commitments	301,187,898	10,053,001
Stamp tax, securities and memorial currency consignments	1,006	34
Financial guarantee contracts	660,688	22,052

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

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

Name	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Within 1 year	\$1,067,794	\$35,748	\$966,282	\$32,393
1 to 5 years	1,889,731	63,265	1,552,038	52,030
Over 5 year	114,830	3,845	71,450	2,395
	<u>\$3,072,355</u>	<u>\$102,858</u>	<u>\$2,589,770</u>	<u>\$86,818</u>

Name	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Within 1 year	\$963,939	\$32,174	\$884,866	\$30,460
1 to 5 years	1,707,169	56,982	1,214,969	41,823
Over 5 year	76,174	2,542	118,602	4,083
	<u>\$2,747,282</u>	<u>\$91,698</u>	<u>\$2,218,437</u>	<u>\$76,366</u>

38. Significant disaster losses:

None.

39. Subsequent events:

On 27 February 2014, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Life to remit £400,000 (US\$684,200) thousands to establish a real estate investment and management company in Jersey Island. Woolgate Exchange, the investment subject of Cathay Life, is a fiduciary estate, 3-basement and 9-storey high-rise building, which located in the business area of the City of London, and its total area is 9,869 square meter. Cathay Life's subsidiaries, Cathay Woolgate Exchange Holding 1 and Cathay Woolgate Exchange Holding 2, paid with amount of £310,782 (US\$531,963) thousands to acquire beneficial right of all Woolgate Exchange Unit Trust on 19 August 2014.

Cathay Investment Consulting (Shanghai) Co., Ltd. which is the subsidiary of Cathay Securities, was granted business license with registration number 310115400293635 on 11 June 2014 by Shanghai Pudong New Area Market Supervisory Authority of the People's Republic of China and the establishment registration is accomplished on 10 July 2014. The registered paid-in capital amounted to NT\$38,965 (US\$1,301) thousands.

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40. Other significant matters

(1) Financial instruments related information

The Group

A. Categories of financial instruments

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Financial assets				
Financial assets at fair value through profit or loss	\$199,076,191	\$6,664,754	\$244,023,246	\$8,180,464
Available-for-sale financial assets -net	1,375,101,005	46,036,190	1,357,106,776	45,494,696
Derivative financial assets for hedging	921,067	30,836	1,300,914	43,611
Held-to-maturity financial assets -net	62,742,329	2,100,513	54,970,153	1,842,781
Other financial assets - investments with no active market	1,362,628,420	45,618,628	1,305,675,228	43,770,540
Loans and receivables:				
Cash and cash equivalents (petty cash and cash on hand excluded)	425,510,696	14,245,420	317,204,356	10,633,736
Due from the Central Bank and call loans to banks	136,630,902	4,574,185	151,945,066	5,093,700
Securities purchased under agreements to resell	38,211,047	1,279,245	12,960,817	434,489
Receivables -net	134,123,729	4,490,249	169,590,966	5,685,248
Loans -net	1,777,532,902	59,508,969	1,667,391,682	55,896,469
Other financial assets	479,993,898	16,069,431	419,122,589	14,050,372
Guarantee deposits paid	95,137,477	3,185,051	83,128,253	2,786,735
Subtotal	3,087,140,651	103,352,550	2,821,343,729	94,580,749
Total	\$6,087,609,663	\$203,803,471	\$5,784,420,046	\$193,912,841
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Financial liabilities				
Financial liabilities at fair value through profit or loss	\$16,839,141	\$563,748	\$28,754,621	\$963,950
Derivative financial liabilities for hedging	-	-	5,148	173
Financial liabilities at amortized cost:				
Due to the Central Bank and call loans from banks	66,777,514	2,235,605	56,985,225	1,910,333
Bankers acceptances and funds borrowed	1,495,750	50,075	1,497,500	50,201
Securities sold under agreements to repurchase	65,279,312	2,185,447	60,931,600	2,042,628
Commercial paper payable -net	12,090,000	404,754	10,050,000	336,909
Payables	65,695,591	2,199,384	37,548,440	1,258,747
Deposits	1,626,302,712	54,446,023	1,585,031,001	53,135,468
Bonds payable	107,214,791	3,589,380	92,417,213	3,098,130
Other financial liabilities	506,753,754	16,965,308	413,414,217	13,859,008
Guarantee deposits received	3,550,581	118,868	3,167,092	106,171
Subtotal	2,455,160,005	82,194,844	2,261,042,288	75,797,595
Total	\$2,471,999,146	\$82,758,592	\$2,289,802,057	\$76,761,718

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	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$188,137,686	\$6,279,629	\$146,746,672	\$5,051,520
Available-for-sale financial assets -net	1,333,389,982	44,505,674	1,302,743,262	44,844,863
Derivative financial assets for hedging	1,793,051	59,848	2,362,366	81,321
Held-to-maturity financial assets -net	52,323,584	1,746,448	24,380,985	839,277
Other financial assets - investments with no active market	1,315,593,975	43,911,681	1,242,279,799	42,763,504
Loans and receivables:				
Cash and cash equivalents (exclude petty cash and cash on hand)	288,035,080	9,613,988	300,170,090	10,332,878
Due from the Central Bank and call loans to banks	96,294,885	3,214,115	109,003,762	3,752,281
Securities purchased under agreements to resell	8,644,991	288,551	15,749,244	542,143
Receivables -net	135,012,493	4,506,425	109,911,278	3,783,521
Loans -net	1,579,703,945	52,727,101	1,521,712,123	52,382,517
Other financial assets	387,079,770	12,919,886	363,020,410	12,496,400
Guarantee deposits paid	78,932,124	2,634,583	66,270,817	2,281,266
Subtotal	2,573,703,288	85,904,649	2,485,837,724	85,571,006
Total	\$5,464,941,566	\$182,407,929	\$5,204,350,808	\$179,151,491

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	\$29,918,963	\$998,630	\$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	46,082,011	1,538,118	56,934,246	1,959,871
Bankers acceptances and funds borrowed	1,506,000	50,267	1,456,800	50,148
Securities sold under agreements to repurchase	57,979,446	1,935,229	22,046,517	758,916
Commercial paper payable -net	4,630,000	154,539	5,540,000	190,706
Payables	54,031,335	1,803,449	60,740,926	2,090,910
Deposits	1,510,325,450	50,411,397	1,458,392,976	50,202,856
Bonds payable	100,240,287	3,345,804	89,831,007	3,092,289
Other financial liabilities	373,640,105	12,471,299	348,229,937	11,987,261
Guarantee deposits received	2,994,277	99,942	3,139,941	108,088
Subtotal	2,151,428,911	71,810,044	2,046,312,350	70,441,045
Total	\$2,181,347,874	\$72,808,674	\$2,055,398,696	\$70,753,828

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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:

	Carrying amount			
	2014.6.30	2013.12.31	2013.6.30	2013.1.1
	NT\$	NT\$	NT\$	NT\$
Financial assets				
Held-to-maturity financial assets –net	\$62,742,329	\$54,970,153	\$52,323,584	\$24,380,985
Investments with no active market	1,362,628,420	1,305,675,228	1,315,593,975	1,242,279,799
Total	\$1,425,370,749	\$1,360,645,381	\$1,367,917,559	\$1,266,660,784

	Carrying amount			
	2014.6.30	2013.12.31	2013.6.30	2013.1.1
	US\$	US\$	US\$	US\$
Financial assets				
Held-to-maturity financial assets –net	\$2,100,513	\$1,842,781	\$1,746,448	\$839,277
Investments with no active market	45,618,628	43,770,540	43,911,681	42,763,504
Total	\$47,719,141	\$45,613,321	\$45,658,129	\$43,602,781

	Fair value			
	2014.6.30	2013.12.31	2013.6.30	2013.1.1
	NT\$	NT\$	NT\$	NT\$
Financial assets				
Held-to-maturity financial assets –net	\$64,826,225	\$55,977,454	\$53,124,823	\$27,346,777
Investments with no active market	1,389,016,208	1,277,291,234	1,296,105,311	1,292,295,864
Total	\$1,453,842,433	\$1,333,268,688	\$1,349,230,134	\$1,319,642,641

	Fair value			
	2014.6.30	2013.12.31	2013.6.30	2013.1.1
	US\$	US\$	US\$	US\$
Financial assets				
Held-to-maturity financial assets –net	\$2,170,279	\$1,876,549	\$1,773,192	\$941,369
Investments with no active market	46,502,049	42,819,015	43,261,192	44,485,228
Total	\$48,672,328	\$44,695,564	\$45,034,384	\$45,426,597

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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.
- 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.

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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	2014.6.30							
	Total		1 st Level		2 nd Level		3 rd Level	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss:								
Stocks	\$11,752,659	\$393,460	\$11,752,659	\$393,460	\$-	\$-	\$-	\$-
Bonds	24,249,076	811,821	13,678,422	457,932	10,570,654	353,889	-	-
Others	144,493,549	4,837,414	31,037,204	1,039,076	113,456,345	3,798,338	-	-
Available-for-sale financial assets:								
Stocks	473,491,690	15,851,747	458,653,352	15,354,983	14,838,338	496,764	-	-
Bonds	751,320,113	25,153,000	23,533,295	787,857	727,786,818	24,365,143	-	-
Others	150,289,202	5,031,443	113,053,535	3,784,852	20,317,456	680,196	16,918,211	566,395
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	802,083	26,853	802,083	26,853	-	-	-	-
<u>Derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss	18,580,907	622,059	391,897	13,120	18,189,010	608,939	-	-
Other financial assets:								
Derivatives financial assets for hedging	921,067	30,836	-	-	921,067	30,836	-	-
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	16,037,058	536,895	752,691	25,199	15,284,367	511,696	-	-
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	-	-
2013.6.30								
Financial instruments measured at fair value item	Total		1 st Level		2 nd Level		3 rd Level	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss:								
Stocks	\$17,351,072	\$579,141	\$17,351,072	\$579,141	\$-	\$-	\$-	\$-
Bonds	18,142,387	605,554	16,531,894	551,799	1,610,493	53,755	-	-
Others	136,900,636	4,569,447	52,468,797	1,751,295	84,431,839	2,818,152	-	-
Available-for-sale financial assets:								
Stocks	379,257,817	12,658,806	368,536,638	12,300,956	10,721,179	357,850	-	-
Bonds	824,577,746	27,522,622	56,338,829	1,880,468	768,238,917	25,642,154	-	-
Others	129,554,419	4,324,246	96,812,665	3,231,397	23,009,852	768,019	9,731,902	324,830
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	1,087,462	36,297	1,087,462	36,297	-	-	-	-
<u>Derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss	15,743,591	525,487	86,620	2,891	15,656,971	522,596	-	-
Other financial assets:								
Derivatives financial assets for hedging	1,793,051	59,848	11,546	385	1,781,505	59,463	-	-
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	28,831,501	962,333	20,409,336	681,219	8,422,165	281,114	-	-

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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.

2014.1.1~2014.6.30(NT\$)								
Item	Beginning balance	Total gains and losses recognized		Increase		Decrease		Ending balance
		Amount recognized in profit or loss	Amount recognized in OCI	Acquisition or issues	Transfer into 3 rd level	Disposal or settlements	Transfer out of 3 rd level	
Available-for-sale financial assets	\$13,102,703	\$259,391	\$714,458	\$5,251,977	\$-	\$(2,410,318)	\$-	\$16,918,211

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2014.1.1~2014.6.30(US\$)								
Item	Beginning balance	Total gains and losses recognized		Increase		Decrease		Ending balance
		Amount recognized in profit or loss	Amount recognized in OCI	Acquisition or issues	Transfer into 3 rd level	Disposal or settlements	Transfer out of 3 rd level	
Available-for-sale financial assets	\$438,658	\$8,684	\$23,919	\$175,828	\$-	\$(80,694)	\$-	\$566,395

2013.1.1~2013.6.30(NT\$)								
Item	Beginning balance	Total gains and losses recognized		Increase		Decrease		Ending balance
		Amount recognized in profit or loss	Amount recognized in OCI	Acquisition or issues	Transfer into 3 rd level	Disposal or settlements	Transfer out of 3 rd level	
Available-for-sale financial assets	\$7,640,615	\$75,553	\$675,139	\$3,106,367	\$-	\$(1,765,772)	\$-	\$9,731,902

2013.1.1~2013.6.30(US\$)								
Item	Beginning balance	Total gains and losses recognized		Increase		Decrease		Ending balance
		Amount recognized in profit or loss	Amount recognized in OCI	Acquisition or issues	Transfer into 3 rd level	Disposal or settlements	Transfer out of 3 rd level	
Available-for-sale financial assets	\$255,027	\$2,522	\$22,535	\$103,684	\$-	\$(58,938)	\$-	\$324,830

(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 Cathay Life may suffer financial losses for holding debt instruments or bank savings because the issuers (guarantors) or banks are not able to repay due to default, bankruptcy, liquidation or any other similar circumstances.
- (B) Counterparty credit risk refers to the risk that the counterparty will not meet its obligations to perform or pay as and when due and, as a result, Cathay Life will bear financial losses.
- (C) Underlying asset credit risk means the risk that Cathay Life may suffer losses arising from deterioration of the credit quality and/or credit rating, increase of credit risk premium or breach of any contract terms of any underlying assets to certain financial instruments.

b. Concentration risk

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

30 June 2014

NT\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$139,239,222	\$45,842	\$20,084	\$59,857,812	\$146,398,060	\$345,561,020
Financial assets at fair value through profit or loss	18,764,099	557,831	2,145,621	1,518,412	-	22,985,963
Available-for-sale financial assets	401,649,042	33,994,814	77,682,746	148,316,489	33,784,197	695,427,288
Derivative financial assets for hedging	94,782	-	118,836	65,443	-	279,061
Bond investments for which no active market exists	49,938,150	74,064,818	243,286,204	406,734,148	250,620,271	1,024,643,591
Held-to-maturity financial assets	7,695,549	-	-	-	-	7,695,549
Other financial assets	34,700,000	-	3,500,000	-	-	38,200,000
Total	\$652,080,844	\$108,663,305	\$326,753,491	\$616,492,304	\$430,802,528	\$2,134,792,472
Proportion	30.5%	5.1%	15.3%	28.9%	20.2%	100%

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Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$4,661,507	\$1,535	\$672	\$2,003,944	\$4,901,174	\$11,568,832
Financial assets at fair value through profit or loss	628,192	18,675	71,832	50,834	-	769,533
Available-for-sale financial assets	13,446,570	1,138,092	2,600,695	4,965,400	1,131,041	23,281,798
Derivative financial assets for hedging	3,173	-	3,978	2,191	-	9,342
Bond investments for which no active market exists	1,671,850	2,479,572	8,144,835	13,616,811	8,390,367	34,303,435
Held-to-maturity financial assets	257,635	-	-	-	-	257,635
Other financial assets	1,161,701	-	117,174	-	-	1,278,875
Total	\$21,830,628	\$3,637,874	\$10,939,186	\$20,639,180	\$14,422,582	\$71,469,450
Proportion	30.5%	5.1%	15.3%	28.9%	20.2%	100%

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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%

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NT\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$170,572,676	\$-	\$-	\$59,077,870	\$64,810,039	\$294,460,585
Financial assets at fair value through profit or loss	31,787,493	977,054	3,811,205	2,609,852	-	39,185,604
Available-for-sale financial assets	452,990,021	16,788,042	69,441,872	202,212,308	34,812,205	776,244,448
Derivative financial assets for hedging	200,697	23,203	436,255	103,531	-	763,686
Bond investments for which no active market exists	39,484,287	38,074,249	214,779,904	332,764,137	244,022,310	869,124,887
Other financial assets	29,900,000	-	3,500,000	-	-	33,400,000
Total	\$724,935,174	\$55,862,548	\$291,969,236	\$596,767,698	\$343,644,554	\$2,013,179,210
Proportion	36.0%	2.8%	14.5%	29.6%	17.1%	100.0%

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Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$5,693,347	\$-	\$-	\$1,971,891	\$2,163,219	\$9,828,457
Financial assets at fair value through profit or loss	1,060,998	32,612	127,209	87,111	-	1,307,930
Available-for-sale financial assets	15,119,827	560,349	2,317,820	6,749,409	1,161,956	25,909,361
Derivative financial assets for hedging	6,699	774	14,561	3,456	-	25,490
Bond investments for which no active market exists	1,317,900	1,270,836	7,168,889	11,106,947	8,144,937	29,009,509
Other financial assets	997,997	-	116,823	-	-	1,114,820
Total	\$24,196,768	\$1,864,571	\$9,745,302	\$19,918,814	\$11,470,112	\$67,195,567
Proportion	36.0%	2.8%	14.5%	29.6%	17.1%	100.0%

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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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 Cathay Life:

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NT\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$345,561,020	\$-	\$-	\$-	\$-	\$345,561,020
Financial assets at fair value through profit or loss	20,796,868	2,189,095	-	-	-	22,985,963
Available-for-sale financial assets	689,331,138	6,096,150	-	735,000	(735,000)	695,427,288
Derivative financial assets for hedging	279,061	-	-	-	-	279,061
Bond investments for which no active market exists	1,018,084,288	6,559,303	-	388,895	(388,895)	1,024,643,591
Held-to-maturity financial assets	7,695,549	-	-	-	-	7,695,549
Other financial assets	38,200,000	-	-	-	-	38,200,000
Total	\$2,119,947,924	\$14,844,548	\$-	\$1,123,895	\$(1,123,895)	\$2,134,792,472
Proportion	99.3%	0.7%	-	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	\$11,568,832	\$-	\$-	\$-	\$-	\$11,568,832
Financial assets at fair value through profit or loss	696,246	73,287	-	-	-	769,533
Available-for-sale financial assets	23,077,708	204,090	-	24,607	(24,607)	23,281,798
Derivative financial assets for hedging	9,342	-	-	-	-	9,342
Bond investments for which no active market exists	34,083,840	219,595	-	13,020	(13,020)	34,303,435
Held-to-maturity financial assets	257,635	-	-	-	-	257,635
Other financial assets	1,278,875	-	-	-	-	1,278,875
Total	\$70,972,478	\$496,972	\$-	\$37,627	\$(37,627)	\$71,469,450
Proportion	99.3%	0.7%	-	0.1%	(0.1)%	100%

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%

30 June 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	\$294,458,515	\$2,070	\$-	\$-	\$-	\$294,460,585
Financial assets at fair value through profit or loss	38,087,631	1,097,973	-	-	-	39,185,604
Available-for-sale financial assets	767,169,442	8,989,544	-	820,462	(735,000)	776,244,448
Derivative financial assets for hedging	763,686	-	-	-	-	763,686
Bond investments for which no active market exists	865,719,219	3,405,668	-	391,560	(391,560)	869,124,887
Other financial assets	33,400,000	-	-	-	-	33,400,000
Total	\$1,999,598,493	\$13,495,255	\$-	\$1,212,022	\$(1,126,560)	\$2,013,179,210
Proportion	99.3%	0.7%	-	0.1%	(0.1)%	100.0%

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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	\$9,828,388	\$69	\$-	\$-	\$-	\$9,828,457
Financial assets at fair value through profit or loss	1,271,282	36,648	-	-	-	1,307,930
Available-for-sale financial assets	25,606,457	300,052	-	27,385	(24,533)	25,909,361
Derivative financial assets for hedging	25,490	-	-	-	-	25,490
Bond investments for which no active market exists	28,895,835	113,674	-	13,069	(13,069)	29,009,509
Other financial assets	1,114,820	-	-	-	-	1,114,820
Total	\$66,742,272	\$450,443	\$-	\$40,454	\$(37,602)	\$67,195,567
Proportion	99.3%	0.7%	-	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:

30 June 2014				
NT\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$352,005,405	\$53,900,004	\$91,296,003	\$497,201,412
Overdue receivables	74,675	90,134	21,553	186,362
Total	\$352,080,080	\$53,990,138	\$91,317,556	\$497,387,774
Proportion	71%	11%	18%	100%

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30 June 2014				
US\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$11,784,580	\$1,804,486	\$3,056,445	\$16,645,511
Overdue receivables	2,500	3,018	721	6,239
Total	\$11,787,080	\$1,807,504	\$3,057,166	\$16,651,750
Proportion	71%	11%	18%	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%

30 June 2013				
NT\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$273,680,019	\$47,718,318	\$84,524,377	\$405,922,714
Overdue receivables	40,770	411,689	64,395	516,854
Total	\$273,720,789	\$48,130,007	\$84,588,772	\$406,439,568
Proportion	67%	12%	21%	100%

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US\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$9,134,847	\$1,592,734	\$2,821,241	\$13,548,822
Overdue receivables	1,361	13,741	2,150	17,252
Total	\$9,136,208	\$1,606,475	\$2,823,391	\$13,566,074
Proportion	67%	12%	21%	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

30 June 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	\$230,233,874	\$160,162,695	\$44,828,145	\$77,970	\$4,338,572	\$439,641,256	\$2,446,615	\$437,194,641
Corporate finance	47,331,388	4,077,408	1,480,567	-	4,857,155	57,746,518	1,495,819	56,250,699
Total	\$277,565,262	\$164,240,103	\$46,308,712	\$77,970	\$9,195,727	\$497,387,774	\$3,942,434	\$493,445,340

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Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$7,707,864	\$5,361,992	\$1,500,775	\$2,610	\$145,248	\$14,718,489	\$81,909	\$14,636,580
Corporate finance	1,584,579	136,505	49,567	-	162,610	1,933,261	50,077	1,883,184
Total	\$9,292,443	\$5,498,497	\$1,550,342	\$2,610	\$307,858	\$16,651,750	\$131,986	\$16,519,764

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

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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

30 June 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	\$186,043,414	\$129,421,506	\$36,223,954	\$115,809	\$4,419,516	\$356,224,199	\$1,655,444	\$354,568,755
Corporate finance	37,793,962	4,026,721	1,634,698	-	6,759,988	50,215,369	1,722,768	48,492,601
Total	\$223,837,376	\$133,448,227	\$37,858,652	\$115,809	\$11,179,504	\$406,439,568	\$3,378,212	\$403,061,356

30 June 2013

US\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$6,209,727	\$4,319,810	\$1,209,077	\$3,865	\$147,514	\$11,889,993	\$55,255	\$11,834,738
Corporate finance	1,261,481	134,403	54,563	-	225,634	1,676,081	57,503	1,618,578
Total	\$7,471,208	\$4,454,213	\$1,263,640	\$3,865	\$373,148	\$13,566,074	\$112,758	\$13,453,316

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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, Cathay Life believes that provision for loans past due within a month is not necessary unless indicator of impairment exists.

Past due but not impaired

NT\$

	Due in 1~2 months	Due in 2~3 months	Total
30 June 2014	\$68,132	\$9,838	\$77,970
31 December 2013	109,251	14,217	123,468
30 June 2013	101,687	14,122	115,809
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
30 June 2014	\$2,281	\$329	\$2,610
31 December 2013	3,662	477	4,139
30 June 2013	3,394	471	3,865
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 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 Cathay Life sells at loss to meet the demand for cash.

b. Liquidity risk management

Cathay Life assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, Cathay Life manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions with symmetric.

Cathay Life uses cash flow model and stress testing to assess cash flow risk based on actual management needs or special situation. Also, for abnormal and urgent financing needs, Cathay Life 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 Cathay Life 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 balance sheet.

30 June 2014	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$166,808	\$5,584	\$-	-	\$-	\$-
Payables	22,251,004	744,928	3,909,263	130,876	134	5
Preferred stock liability	-	-	457,732	15,324	15,897,931	532,237

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30 June 2014	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$-	\$-	\$-	\$-	\$166,808	\$5,584
Payables	-	-	-	-	26,160,401	875,809
Preferred stock liability	15,543,328	520,366	-	-	31,898,991	1,067,927

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

30 June 2013	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$277,269	\$9,255	\$-	\$-	\$-	\$-
Payables	14,593,581	487,102	3,001,263	100,176	198	6
Preferred stock liability	-	-	457,732	15,278	908,000	30,307

30 June 2013	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$-	\$-	\$-	\$-	\$277,269	\$9,255
Payables	-	-	-	-	17,595,042	587,284
Preferred stock liability	26,361,254	879,882	5,080,005	169,559	32,806,991	1,095,026

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:

30 June 2014	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$14,089	\$472	\$8,144	\$273	\$3,391	\$113
Forward	417,563	13,979	-	-	-	-
CS	1,514,964	50,719	876,570	29,346	-	-

30 June 2014	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$(3,201)	\$(107)	\$-	\$-	\$22,423	\$751
Forward	-	-	-	-	417,563	13,979
CS	-	-	-	-	2,391,534	80,065

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

30 June 2013	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$26,529	\$885	\$25,384	\$847	\$17,433	\$582
Forward	1,499,177	50,039	5,388,726	179,864	-	-
CS	10,076,795	336,342	2,736,471	91,337	2,246,921	74,997

30 June 2013	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$264	\$9	\$-	\$-	\$69,610	\$2,323
Forward	-	-	-	-	6,887,903	229,903
CS	-	-	-	-	15,060,187	502,676

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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. 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. Cathay Life uses one-week 95% and 99% VaR to measure market risk.

(B) Stress testing

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

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Cathay Life performs position stress testing regularly by using “Simple Sensitivity” 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:

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:

① Historical scenario

In consideration of the fluctuation of risk factors when a specific historical event happened, Cathay Life simulates what the dollar amount of losses for the current investment portfolio would be in the same period of time.

② Hypothetical scenario

Cathay Life makes hypothesis with rational expectations from the extreme market movements to assess the dollar amount of losses for the investment position by taking into consideration the movement of relevant risk factors.

Risk management department performs the stress testing with historical and hypothetical scenarios regularly. Cathay Life’s risk analysis, early warning, and business management are in accordance with the stress testing report.

Table of Stress Testing
2014.1.1~2014.6.30

Risk Factors	Changes (+/-)	Gain(loss) NT\$	Gain(loss) US\$
Equity risk (Stock index)	-10%	\$(48,479,795)	\$(1,623,026)
Interest rate risk (Yield curve)	+20bps	(8,513,508)	(285,019)
Exchange risk (Foreign exchange rate)	USD weakens against NTD by \$1	(18,467,707)	(618,269)
Commodity risk (Price)	-10%	-	-

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Table of Stress Testing

2013.1.1~2013.6.30

Risk Factors	Changes (+/-)	Gain(loss) NT\$	Gain(loss) US\$
Equity risk (Stock index)	-10%	\$(41,479,717)	\$(1,384,503)
Interest rate risk (Yield curve)	+20bps	(8,946,327)	(298,609)
Exchange risk (Foreign exchange rate)	USD weakens against NTD by \$1	(13,882,006)	(463,351)
Commodity risk (Price)	-10%	-	-

Note: Impacts of credit spread changes are not included.

(C) Sensitivity Analysis

Summarization of Sensitivity Analysis

2014.1.1~2014.6.30

NT\$

Risk Factors	Variables (+/-)	Change in Income	Change in Equity
Foreign currency risk	USD appreciates 1%	\$2,891,505	\$2,633,109
	CNY/CNH appreciates 1%	2,179,339	106,991
	HKD appreciates 1%	16,742	460,227
	EUR appreciates 1%	316,019	178,969
	GBP appreciates 1%	224,307	42,685
Interest rate risk	Yield curve (USD) parallelly shifts up 1 bp	-	(136,216)
	Yield curve (AUD) parallelly shifts up 1 bp	-	(990)
	Yield curve (EUR) parallelly shifts up 1 bp	-	(6,051)
	Yield curve (NTD) parallelly shifts up 1 bp	(183)	(266,855)
Equity price risk	Equity price increases 1%	146,681	4,701,299

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Summarization of Sensitivity Analysis

2014.1.1~2014.6.30

US\$

Risk Factors	Variables (+/-)	Change in Income	Change in Equity
Foreign currency risk	USD appreciates 1%	\$96,803	\$88,152
	CNY/CNH appreciates 1%	72,961	3,582
	HKD appreciates 1%	560	15,408
	EUR appreciates 1%	10,580	5,992
	GBP appreciates 1%	7,509	1,429
Interest rate risk	Yield curve (USD) parallelly shifts up 1 bp	-	(4,560)
	Yield curve (AUD) parallelly shifts up 1 bp	-	(33)
	Yield curve (EUR) parallelly shifts up 1 bp	-	(203)
	Yield curve (NTD) parallelly shifts up 1 bp	(6)	(8,934)
Equity price risk	Equity price increases 1%	4,911	157,392

Summarization of Sensitivity Analysis

2013.1.1~2013.6.30

NT\$

Risk Factors	Variables (+/-)	Change in Income	Change in Equity
Foreign currency risk	USD appreciates 1%	\$2,103,867	\$2,077,394
	CNY/CNH appreciates 1%	1,208,361	64,550
	HKD appreciates 1%	14,150	397,854
	EUR appreciates 1%	291,047	119,479
	GBP appreciates 1%	264,167	25,108
Interest rate risk	Yield curve (USD) parallelly shifts up 1 bp	-	(167,897)
	Yield curve (AUD) parallelly shifts up 1 bp	-	(1,004)
	Yield curve (EUR) parallelly shifts up 1 bp	-	(2,322)
	Yield curve (NTD) parallelly shifts up 1 bp	(321)	(273,818)
Equity price risk	Equity price increases 1%	172,825	3,975,138

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Summarization of Sensitivity Analysis

2013.1.1~2013.6.30

US\$

Risk Factors	Variables (+/-)	Change in Income	Change in Equity
Foreign currency risk	USD appreciates 1%	\$70,223	\$69,339
	CNY/CNH appreciates 1%	40,332	2,155
	HKD appreciates 1%	472	13,280
	EUR appreciates 1%	9,715	3,988
	GBP appreciates 1%	8,817	838
Interest rate risk	Yield curve (USD) parallelly shifts up 1 bp	-	(5,604)
	Yield curve (AUD) parallelly shifts up 1 bp	-	(34)
	Yield curve (EUR) parallelly shifts up 1 bp	-	(78)
	Yield curve (NTD) parallelly shifts up 1 bp	(11)	(9,139)
Equity price risk	Equity price increases 1%	5,769	132,682

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.

Note 3: The foreign exchange volatility reserve adjustments are not included in the change in income of the foreign currency risk.

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.

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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.

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.

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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.

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.

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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.

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.

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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 additional, Cathay United Bank also measures the potential impact of interest rate changes on the profit and economic value of Cathay United Bank. Cathay United Bank analyzes and monitors the interest risk limits and each target of interest risk management monthly. The results of analysis and monitoring are regularly reported to not only the risk management committee but also the board of directors.

If any risk management targets is found to exceed the limit during the monitoring process, it will be reported to the risk management committee and a solution should be proposed.

c. Method of measurement

The interest rate risk of Cathay United Bank mainly measures the repricing risk that is caused by the difference between maturity date and repricing date of the assets, liabilities, and off balance sheet items in banking book. To stabilize long-term profitability and ensure business growth, Cathay United Bank sets the monitoring indicators of interest sensitivity in major terms and implements stress test. Each interest risk indicator and the result of stress test are reported to the executive management regularly for review.

Foreign exchange risk management

a. Definition of foreign exchange risk

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

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

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

For foreign exchange risk, Cathay United Bank sets the scenario at 3% fluctuation of interest rate of major currencies to execute the stress test quarterly, and reports to the risk management committee.

Risk management of equity price

- a. Definition of risk of equity price

The market risk of equity securities held by Cathay United Bank includes the individual risk from the fluctuation of individual equity securities' market price and general market risk from the fluctuation of the overall price trend.

- b. Purpose of risk management in equity prices

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

- c. Procedure of risk management of equity prices

Cathay United Bank sets investment limit on industries, using the β value to measure the investment portfolio affected by the systemic risk monthly. The stop-loss point must be authorized by the board of directors, and the equity investment should be authorized by the executives if the stop-loss point is reached but the investment is not going to be disposed of.

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d. Measured methodology

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

Cathay United Bank's risk of equity prices from its non-trading portfolio should be control by each bank according to its own business scale to develop a stress test under appropriate scenarios and report to the risk management committee.

Cathay United Bank adopts many methodologies to manage its market risk. Value-at-risk (VaR) is one of the methodologies. VaR is a statistical measure that assesses potential losses that might be caused by changes in risk factors over a specified period of time and at a specific level of statistical confidence.

2014.6.30						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$489,925	\$16,402	\$643,232	\$21,534	\$311,553	\$10,430
Foreign exchange	138,087	4,623	150,287	5,031	112,986	3,783
Equity Securities price	262,178	8,777	353,880	11,847	150,959	5,054

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

2013.6.30						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$605,836	\$20,221	\$876,417	\$29,253	\$457,036	\$15,255
Foreign exchange	150,046	5,008	154,844	5,168	145,275	4,849
Equity Securities price	189,667	6,331	352,855	11,778	133,386	4,452

2013.1.1						
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

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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	2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
Stock Market	Major Stock Exchanges + 15%	\$1,620,987	\$54,268	\$1,211,069	\$40,599
	Major Stock Exchanges - 15%	(1,620,987)	(54,268)	(1,211,069)	(40,599)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(4,142,399)	(138,681)	(4,564,436)	(153,015)
	Major Interest Rate - 100bp	4,353,702	145,755	4,796,889	160,808
Foreign Exchange Market	Major Currencies + 3%	1,718,958	57,548	1,703,503	57,107
	Major Currencies - 3%	(1,718,134)	(57,520)	(1,703,201)	(57,097)
Composite	Major Stock Exchanges -15%	(4,044,428)	(135,401)	(4,702,002)	(136,507)
	Major Interest Rate + 100bp				
	Major Currencies +3%				

Stress Test					
Market/ Product	Scenarios	2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
Stock Market	Major Stock Exchanges +15%	\$1,072,390	\$35,794	\$1,025,960	\$35,317
	Major Stock Exchanges -15%	(1,072,390)	(35,794)	(1,025,960)	(35,317)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(4,177,943)	(139,451)	(2,821,676)	(97,132)
	Major Interest Rate - 100bp	4,405,332	147,040	2,496,083	85,924
Foreign Exchange Market	Major Currencies +3%	1,897,167	63,323	1,450,437	49,929
	Major Currencies -3%	(1,896,990)	(63,317)	(1,365,947)	(47,021)
Composite	Major Stock Exchanges -15%	(3,353,166)	(111,921)	(2,397,199)	(82,520)
	Major Interest Rate + 100bp				
	Major Currencies +3%				

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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.

Market risk factor sensitivity of Cathay United Bank

	2014.6.30			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT\$	US\$	NT\$	US\$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$354,413	\$11,865	\$-	\$-
HKD+1%	2,807	94	-	-
JPY+1%	-	-	2,214	74
AUD+1%	222,729	7,457	-	-
CNY+1%	33,930	1,136	6,476	217
NTD+1%	(413,879)	(13,856)	(8,689)	(291)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(165)	(6)	(23,025)	(771)
Yield curves (HKD) parallel shift+1bp	-	-	(13)	-
Yield curves (AUD) parallel shift+1bp	-	-	(959)	(32)
Yield curves (CNY) parallel shift+1bp	-	-	(489)	(16)
Yield curves (NTD) parallel shift+1bp	(3,055)	(102)	(14,764)	(494)
Equity securities price factor sensitivity (Equity Delta)	-	-	108,066	3,618

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	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

	2013.6.30			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT\$	US\$	NT\$	US\$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$434,178	\$14,492	\$12	\$-
HKD+1%	35,094	1,171	88,389	2,950
JPY+1%	-	-	3,872	129
NTD+1%	(555,794)	(18,551)	(14,518)	(485)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(166)	(6)	(13,110)	(438)
Yield curves (HKD) parallel shift+1bp	-	-	(23)	(1)
Yield curves (JPY) parallel shift+1bp	-	-	(1)	-
Yield curves (NTD) parallel shift+1bp	(402)	(13)	(1,175)	(39)
Equity securities price factor sensitivity (Equity Delta)	2,547	85	68,946	2,301

	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

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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.

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.

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.

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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.

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			
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Irrevocable loan commitments	\$194,774,968	\$6,520,756	\$165,615,358	\$5,551,973
Credit card commitments	451,861,633	15,127,607	424,006,617	14,214,100
Unused commercial letters of credit	5,117,051	171,311	3,202,955	107,374
Guarantees on duties and contracts	10,191,506	341,195	11,270,885	377,837
Total	\$661,945,158	\$22,160,869	\$604,095,815	\$20,251,284

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Off balance sheet items	Maximum exposure to credit risk			
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Irrevocable loan commitments	\$63,943,341	\$2,134,291	\$34,415,264	\$1,184,691
Credit card commitments	338,520,949	11,299,097	328,719,949	11,315,661
Unused commercial letters of credit	3,695,483	123,347	4,281,218	147,374
Guarantees on duties and contracts	10,711,299	357,520	12,081,454	415,885
Total	\$416,871,072	\$13,914,255	\$379,497,885	\$13,063,611

(B) Indovina Bank

Off balance sheet items	Maximum exposure to credit risk			
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$1,491,795	\$49,943	\$535,478	\$17,951
Unused commercial letters of credit	1,256,549	42,067	1,080,247	36,213
Total	\$2,748,344	\$92,010	\$1,615,725	\$54,164

Off balance sheet items	Maximum exposure to credit risk			
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$660,688	\$22,052	\$852,596	\$29,349
Unused commercial letters of credit	1,308,620	43,679	652,199	22,451
Total	\$1,969,308	\$65,731	\$1,504,795	\$51,800

(C) CUBC Bank

Off balance sheet items	Maximum exposure to credit risk			
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$30,940	\$1,036	\$39,806	\$1,335
Irrevocable loan commitments	261,784	8,764	143,134	4,798
Credit card commitments	263,527	8,823	201,715	6,762
Unused commercial letters of credit	5,838	195	1,965	66
Total	\$562,089	\$18,818	\$386,620	\$12,961

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Off balance sheet items	Maximum exposure to credit risk	
	2013.1.1	
	NT\$	US\$
Finance guarantee contracts	\$60,683	\$2,089
Irrevocable loan commitments	99,998	3,442
Credit card commitments	199,925	6,882
Unused commercial letters of credit	20,350	701
Total	\$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.

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	2014.6.30			2013.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Industry type						
Manufacturing	\$143,653,428	\$4,809,288	12.63	\$108,789,196	\$3,646,973	10.28
Financial institutions and insurance	40,307,461	1,349,429	3.55	28,292,338	948,452	2.67
Leasing and real estate	88,975,131	2,978,745	7.82	83,652,734	2,804,315	7.91
Individuals	517,504,791	17,325,236	45.51	477,139,793	15,995,300	45.10
Others	346,701,977	11,607,030	30.49	360,081,097	12,071,106	34.04
Total	\$1,137,142,788	\$38,069,728	100.00	\$1,057,955,158	\$35,466,146	100.00

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Item	2013.6.30			2013.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Industry type						
Manufacturing	\$103,364,239	\$3,450,075	10.10	\$125,610,955	\$4,323,957	12.20
Financial institutions and insurance	42,788,604	1,428,191	4.18	29,912,516	1,029,691	2.90
Leasing and real estate	82,064,530	2,739,136	8.02	83,834,530	2,885,870	8.14
Individuals	485,736,800	16,212,844	47.47	492,107,196	16,940,007	47.77
Others	309,339,369	10,325,079	30.23	298,671,240	10,281,282	28.99
Total	\$1,023,293,542	\$34,155,325	100.00	\$1,030,136,437	\$35,460,807	100.00

Item	2014.6.30			2013.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Geographic Region						
Domestic	\$947,386,792	\$31,717,000	83.31	\$898,556,006	\$30,122,561	84.93
Asia	83,228,080	2,786,343	7.32	68,771,004	2,305,431	6.50
America	27,515,484	921,175	2.42	23,009,706	771,361	2.18
Others	79,012,432	2,645,210	6.95	67,618,442	2,266,793	6.39
Total	\$1,137,142,788	\$38,069,728	100.00	\$1,057,955,158	\$35,466,146	100.00

Item	2013.6.30			2013.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Geographic Region						
Domestic	\$860,353,954	\$28,716,754	84.08	\$876,857,476	\$30,184,423	85.12
Asia	77,816,626	2,597,351	7.60	69,497,214	2,392,331	6.75
America	23,460,756	783,069	2.29	22,560,687	776,616	2.19
Others	61,662,206	2,058,151	6.03	61,221,060	2,107,437	5.94
Total	\$1,023,293,542	\$34,155,325	100.00	\$1,030,136,437	\$35,460,807	100.00

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.

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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

2014.6.30 (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	\$38,194,069	\$8,281,904	\$2,976,427	\$49,452,400	\$120,120	\$139,466	\$49,711,986	\$114,642	\$1,534,868	\$48,062,476
Others	31,854,638	3,744,584	108,142	35,707,364	8,348	41,986	35,757,698	12,584	345,033	35,400,081
Discounts and loans	664,031,977	374,527,724	42,147,012	1,080,706,713	828,942	23,729,606	1,105,265,261	4,810,198	10,063,369	1,090,391,694

2014.6.30 (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	\$1,278,677	\$277,265	\$99,646	\$1,655,588	\$4,021	\$4,669	\$1,664,278	\$3,838	\$51,385	\$1,609,055
Others	1,066,442	125,363	3,620	1,195,425	279	1,406	1,197,110	421	11,551	1,185,138
Discounts and loans	22,230,733	12,538,591	1,411,015	36,180,339	27,752	794,429	37,002,520	161,038	336,906	36,504,576

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	78,545,653	2,093,766	50,342	80,689,761	4,113	58,573	80,752,447	18,918	328,925	80,404,604
Discounts and loans	673,932,410	280,367,699	46,809,038	1,001,109,147	540,461	25,477,428	1,027,127,036	4,267,369	10,119,032	1,012,740,635

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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)	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	2,633,109	70,190	1,688	2,704,987	138	1,963	2,707,088	634	11,027	2,695,427
Discounts and loans	22,592,438	9,398,850	1,569,193	33,560,481	18,118	854,087	34,432,686	143,056	339,223	33,950,407

2013.6.30 (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	\$30,634,215	\$5,952,062	\$2,873,727	\$39,460,004	\$107,001	\$132,166	\$39,699,171	\$109,865	\$1,662,817	\$37,926,489
Others	42,883,644	3,697,142	43,019	46,623,805	3,307	58,860	46,685,972	14,230	154,573	46,517,169
Discounts and loans	667,718,404	257,848,115	38,485,944	964,052,463	632,758	29,711,197	994,396,418	4,717,165	9,415,788	980,263,465

2013.6.30 (US\$)	Neither past due nor impaired				Past due but not impaired (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	\$1,022,504	\$198,667	\$95,919	\$1,317,090	\$3,571	\$4,411	\$1,325,072	\$3,667	\$55,501	\$1,265,904
Others	1,431,363	123,403	1,436	1,556,202	110	1,965	1,558,277	475	5,160	1,552,642
Discounts and loans	22,286,996	8,606,412	1,284,578	32,177,986	21,120	991,696	33,190,802	157,449	314,278	32,719,075

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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

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

2014.6.30	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$208,778,010	\$6,989,555	\$53,124,557	\$1,778,525	\$9,529,358	\$319,028	\$271,431,925	\$9,087,108
Unsecured								
personal loans	13,409,121	448,916	5,915,549	198,043	1,546,530	51,776	20,871,200	698,735
Other	190,129,563	6,365,235	37,927,189	1,269,742	5,295,869	177,297	233,352,621	7,812,274
Corporate banking								
Secured	42,545,385	1,424,352	160,527,464	5,374,204	15,121,836	506,254	218,194,685	7,304,810
Unsecured	209,169,898	7,002,675	117,032,965	3,918,077	10,653,419	356,660	336,856,282	11,277,412
Total	\$664,031,977	\$22,230,733	\$374,527,724	\$12,538,591	\$42,147,012	\$1,411,015	\$1,080,706,713	\$36,180,339

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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	158,450,771	5,311,793	40,060,781	1,342,970	6,522,148	218,644	205,033,700	6,873,407
Corporate banking								
Secured	97,204,460	3,258,614	85,057,423	2,851,405	23,265,825	779,947	205,527,708	6,889,966
Unsecured	214,426,607	7,188,287	95,097,422	3,187,979	6,225,796	208,709	315,749,825	10,584,975
Total	<u>\$673,932,410</u>	<u>\$22,592,438</u>	<u>\$280,367,699</u>	<u>\$9,398,850</u>	<u>\$46,809,038</u>	<u>\$1,569,193</u>	<u>\$1,001,109,147</u>	<u>\$33,560,481</u>

2013.6.30	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$197,528,492	\$6,593,074	\$42,854,582	\$1,430,393	\$7,863,061	\$262,452	\$248,246,135	\$8,285,919
Unsecured								
personal loans	6,223,017	207,711	2,739,931	91,453	1,000,281	33,387	9,963,229	332,551
Other	169,264,522	5,649,683	31,490,968	1,051,101	5,699,679	190,243	206,455,169	6,891,027
Corporate banking								
Secured	117,956,529	3,937,134	86,570,986	2,889,552	15,230,682	508,367	219,758,197	7,335,053
Unsecured	176,745,844	5,899,394	94,191,648	3,143,913	8,692,241	290,129	279,629,733	9,333,436
Total	<u>\$667,718,404</u>	<u>\$22,286,996</u>	<u>\$257,848,115</u>	<u>\$8,606,412</u>	<u>\$38,485,944</u>	<u>\$1,284,578</u>	<u>\$964,052,463</u>	<u>\$32,177,986</u>

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	<u>\$670,693,846</u>	<u>\$23,087,568</u>	<u>\$255,821,555</u>	<u>\$8,806,250</u>	<u>\$44,369,776</u>	<u>\$1,527,359</u>	<u>\$970,885,177</u>	<u>\$33,421,177</u>

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(C) Credit quality analysis on securities investment

2014.6.30 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal (A)					
Available-for-sale financial assets								
Bonds	\$48,780,208	\$1,053,743	\$49,833,951	\$-	\$-	\$49,833,951	\$-	\$49,833,951
Stocks	2,981,432	11,338,473	14,319,905	-	163,785	14,483,690	163,785	14,319,905
Others	57,713	303,436	361,149	-	-	361,149	-	361,149
Held-to-maturity financial assets								
Bonds	49,449,328	594,446	50,043,774	-	-	50,043,774	-	50,043,774
Investments in debt securities with no active market								
Bonds	7,081,750	174,534	7,256,284	-	1,293,511	8,549,795	1,293,511	7,256,284
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	324,000,000	-	324,000,000	-	-	324,000,000	-	324,000,000

2014.6.30 (US\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal (A)					
Available-for-sale financial assets								
Bonds	\$1,633,083	\$35,278	\$1,668,361	\$-	\$-	\$1,668,361	\$-	\$1,668,361
Stocks	99,814	379,594	479,408	-	5,483	484,891	5,483	479,408
Others	1,932	10,159	12,091	-	-	12,091	-	12,091
Held-to-maturity financial assets								
Bonds	1,655,485	19,901	1,675,386	-	-	1,675,386	-	1,675,386
Investments in debt securities with no active market								
Bonds	237,086	5,843	242,929	-	43,305	286,234	43,305	242,929
Preferred Stocks	-	18,404	18,404	-	-	18,404	-	18,404
Others	10,847,004	-	10,847,004	-	-	10,847,004	-	10,847,004

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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

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

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2013.6.30 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal (A)					
Available-for-sale financial assets								
Bonds	\$42,201,211	\$2,209,208	\$44,410,419	\$-	\$-	\$44,410,419	\$-	\$44,410,419
Stocks	4,142,286	8,805,444	12,947,730	-	189,435	13,137,165	189,435	12,947,730
Others	154,584	628,961	783,545	-	-	783,545	-	783,545
Held-to-maturity financial assets								
Bonds	48,197,659	597,487	48,795,146	-	-	48,795,146	-	48,795,146
Investments in debt securities with no active market								
Bonds	8,047,026	639,366	8,686,392	-	1,212,419	9,898,811	1,212,419	8,686,392
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	432,900,000	-	432,900,000	-	-	432,900,000	-	432,900,000

2013.6.30 (US\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal (A)					
Available-for-sale financial assets								
Bonds	\$1,408,585	\$73,739	\$1,482,324	\$-	\$-	\$1,482,324	\$-	\$1,482,324
Stocks	138,260	293,907	432,167	-	6,323	438,490	6,323	432,167
Others	5,160	20,993	26,153	-	-	26,153	-	26,153
Held-to-maturity financial assets								
Bonds	1,608,733	19,943	1,628,676	-	-	1,628,676	-	1,628,676
Investments in debt securities with no active market								
Bonds	268,592	21,341	289,933	-	40,468	330,401	40,468	289,933
Preferred Stocks	-	18,349	18,349	-	-	18,349	-	18,349
Others	14,449,266	-	14,449,266	-	-	14,449,266	-	14,449,266

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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

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

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(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.

2014.6.30	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$71,936	\$2,408	\$48,184	\$1,613	\$120,120	\$4,021
Others	6,890	230	1,458	49	8,348	279
Discounts and loans						
Consumer banking						
Residential mortgage loans	262,854	8,800	65,224	2,184	328,078	10,984
Unsecured personal loans	27,171	910	15,099	505	42,270	1,415
Others	224,727	7,523	46,148	1,545	270,875	9,068
Corporate banking						
Secured	9,000	301	4,901	164	13,901	465
Unsecured	169,808	5,685	4,010	134	173,818	5,819
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	1,850	62	4,113	138
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	-	-	40,814	1,368	40,814	1,368

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2013.6.30	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$67,011	\$2,236	\$39,990	\$1,335	\$107,001	\$3,571
Others	2,268	76	1,039	34	3,307	111
Discounts and loans						
Consumer banking						
Residential mortgage loans	233,563	7,796	50,038	1,670	283,601	9,466
Unsecured personal loans	8,286	276	2,384	80	10,670	356
Others	135,796	4,532	62,670	2,092	198,466	6,625
Corporate banking						
Secured	-	-	140,021	4,674	140,021	4,674
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

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.

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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 hold 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.

2014.6.30 (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	\$29,205,550	\$15,114,195	\$17,682,849	\$18,364	\$62,020,958
Funds borrowed from Central Bank and other banks	1,496,360	-	-	-	1,496,360
Financial liabilities at fair value through profit or loss	-	-	312,173	-	312,173
Securities sold under agreements to repurchase	62,218,235	661,540	-	-	62,879,775
Payables	4,917,173	1,350,269	3,311,038	2,771,894	12,350,374
Deposits and remittances	266,864,506	681,799,655	610,728,319	70,287,395	1,629,679,875
Financial debentures payable	-	-	-	67,005,745	67,005,745
Other capital outflow at maturity	28,713,084	26,495,094	6,148,048	3,908,823	65,265,049

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2014.6.30 (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	\$977,755	\$505,999	\$591,994	\$615	\$2,076,363
Funds borrowed from Central Bank and other banks	50,096	-	-	-	50,096
Financial liabilities at fair value through profit or loss	-	-	10,451	-	10,451
Securities sold under agreements to repurchase	2,082,968	22,147	-	-	2,105,115
Payables	164,619	45,205	110,848	92,799	413,471
Deposits and remittances	8,934,198	22,825,566	20,446,211	2,353,110	54,559,085
Financial debentures payable	-	-	-	2,243,246	2,243,246
Other capital outflow at maturity	961,268	887,014	205,827	130,861	2,184,970

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
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
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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2013.6.30 (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	\$23,563,959	\$8,260,029	\$8,732,598	\$70,674	\$40,627,260
Funds borrowed from Central Bank and other banks	1,506,153	-	-	-	1,506,153
Securities sold under agreements to repurchase	55,485,851	950,689	-	-	56,436,540
Payables	15,360,863	1,166,090	3,947,504	2,419,875	22,894,332
Deposits and remittances	331,735,978	639,507,246	520,487,896	60,788,404	1,552,519,524
Financial debentures payable	-	-	-	52,064,099	52,064,099
Other capital outflow at maturity	7,824,096	9,034,595	1,785,116	1,996,493	20,640,300

2013.6.30 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$786,514	\$275,702	\$291,475	\$2,359	\$1,356,050
Funds borrowed from Central Bank and other banks	50,272	-	-	-	50,272
Securities sold under agreements to repurchase	1,851,998	31,732	-	-	1,883,730
Payables	512,712	38,922	131,759	80,770	764,163
Deposits and remittances	11,072,630	21,345,369	17,372,760	2,028,985	51,819,744
Financial debentures payable	-	-	-	1,737,787	1,737,787
Other capital outflow at maturity	261,152	301,555	59,583	66,639	688,929

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:

2014.6.30 (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	\$33,546	\$13,742	\$(118,547)	\$(1,208,045)	\$(1,279,304)
- Interest rate derivative instruments	18,652	49,419	103,014	5,111,570	5,282,655
Total	\$52,198	\$63,161	\$(15,533)	\$3,903,525	\$4,003,351

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2014.6.30 (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	\$1,123	\$460	\$(3,969)	\$(40,443)	\$(42,829)
- Interest rate derivative instruments	624	1,655	3,449	171,127	176,855
Total	\$1,747	\$2,115	\$(520)	\$130,684	\$134,026

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

2013.6.30 (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	\$45,611	\$225,378	\$312,600	\$(9,374)	\$574,215
- Interest rate derivative instruments	5,959	8,420	45,867	2,178,465	2,238,711
Total	\$51,570	\$233,798	\$358,467	\$2,169,091	\$2,812,926

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2013.6.30 (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	\$1,522	\$7,523	\$10,434	\$(313)	\$19,166
- Interest rate derivative instruments	199	281	1,531	72,713	74,724
Total	\$1,721	\$7,804	\$11,965	\$72,400	\$93,890

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:

2014.6.30 (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	\$(823,813)	\$(1,437,502)	\$(252,730)	\$618,463	\$(1,895,582)
-Cash inflow	88,335	327,596	444,219	60,935	921,085
- Interest rate derivative instruments					
-Cash outflow	(112)	(59,099)	(124,923)	(192,055)	(376,189)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(823,925)	(1,496,601)	(377,653)	426,408	(2,271,771)
Cash inflow subtotal	88,335	327,596	444,219	60,935	921,085
Net cash flow	\$(735,590)	\$(1,169,005)	\$66,566	\$487,343	\$(1,350,686)

2014.6.30 (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	\$(27,580)	\$(48,125)	\$(8,461)	\$20,705	\$(63,461)
-Cash inflow	2,957	10,967	14,872	2,040	30,836
- Interest rate derivative instruments					
-Cash outflow	(4)	(1,978)	(4,182)	(6,430)	(12,594)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(27,584)	(50,103)	(12,643)	14,275	(76,055)
Cash inflow subtotal	2,957	10,967	14,872	2,040	30,836
Net cash flow	\$(24,627)	\$(39,136)	\$2,229	\$16,315	\$(45,219)

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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
- 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
- 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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2013.6.30 (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	\$(1,068,912)	\$(2,039,607)	\$(771,745)	\$(49,953)	\$(3,930,217)
-Cash inflow	155,330	152,202	270,423	59,846	637,801
- Interest rate derivative instruments					
-Cash outflow	-	(28,546)	(360,532)	(103,293)	(492,371)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,068,912)	(2,068,153)	(1,132,277)	(153,246)	(4,422,588)
Cash inflow subtotal	155,330	152,202	270,423	59,846	637,801
Net cash flow	\$(913,582)	\$(1,915,951)	\$(861,854)	\$(93,400)	\$(3,784,787)

2013.6.30 (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	\$(35,678)	\$(68,077)	\$(25,759)	\$(1,668)	\$(131,182)
-Cash inflow	5,185	5,080	9,026	1,997	21,288
- Interest rate derivative instruments					
-Cash outflow	-	(953)	(12,034)	(3,447)	(16,434)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(35,678)	(69,030)	(37,793)	(5,115)	(147,616)
Cash inflow subtotal	5,185	5,080	9,026	1,997	21,288
Net cash flow	\$(30,493)	\$(63,950)	\$(28,767)	\$(3,118)	\$(126,328)

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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
- 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
- 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:

	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
2014.6.30								
Irrevocable commitments	\$163,083,470	\$5,459,775	\$220,123,467	\$7,369,383	\$263,429,664	\$8,819,205	\$646,636,601	\$21,648,363
Financial guarantee								
contracts	13,166,993	440,810	2,130,393	71,322	11,171	374	15,308,557	512,506
Leasing commitments								
Non-cancellable operating								
lease payments	656,584	21,982	991,897	33,207	65,434	2,190	1,713,915	57,379
Total	\$176,907,047	\$5,922,567	\$223,245,757	\$7,473,912	\$263,506,269	\$8,821,769	\$663,659,073	\$22,218,248

	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
2013.12.31								
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

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2013.6.30	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Irrevocable commitments	\$15,086,110	\$503,542	\$93,509,482	\$3,121,144	\$293,868,698	\$9,808,701	\$402,464,290	\$13,433,387
Financial guarantee								
contracts	13,578,814	453,231	814,214	27,177	13,754	459	14,406,782	480,867
Leasing commitments								
Non-cancellable operating								
lease payments	662,642	22,118	934,156	31,180	55,064	1,838	1,651,862	55,136
Non-cancellable operating								
lease receipts	48,781	1,628	297,401	9,927	-	-	346,182	11,555
Total	\$29,376,347	\$980,519	\$95,555,253	\$3,189,428	\$293,937,516	\$9,810,998	\$418,869,116	\$13,980,945

2013.1.1	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Irrevocable commitments	\$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 Cathay Century and its subsidiaries held to adjust operating cash flow including cash and equivalents and investments. 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, 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. Cathay Century and its subsidiaries do not engage in derivatives transactions for trading purposes.

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The primary risk of Cathay Century and its subsidiaries' financial instruments are to market risk, credit risk and liquidity risk. The risk management policies approved by board of directors are as follows:

A. Market risk

a. Foreign currency risk

Cathay Century and its subsidiaries are exposed to foreign exchange risk from US and NT dollars exchanges for investing in foreign special purpose money trust. Since the amount of investment is significant, Cathay Century and its subsidiaries engage in forward foreign exchange contracts for hedging purposes.

Cathay Century 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. Cathay Century and its subsidiaries do not engage in hedging in relation to this type of transaction.

Cathay Century and its subsidiaries' self-evaluation showed that the terms of the hedging instrument and the hedged items are the same, so as to maximize the effectiveness of the hedge.

b. Interest rate risk

Interest rate risk results from changes in the market interest rates which cause the fair value of financial instruments or the future cash flow to fluctuate. Cathay Century and its subsidiaries' interest rate risk primarily results from floating rate investments classified as available-for-sale financial assets and fixed rate preferred shares liabilities.

c. Equity price risk

Cathay Century and its subsidiaries hold equity securities of local and foreign listed companies. Their prices are affected by uncertainties about the future values of the investment securities. Equity securities of listed companies held by Cathay Century and its subsidiaries are classified under held for trading financial assets or available-for-sale financial assets. Cathay Century and its subsidiaries manage the equity price risk through diversification and placing limits on individual and total equity instruments.

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B. Credit risk

a. Credit risk management policies

Cathay Century and its subsidiaries trade only with established and creditworthy third parties. Cathay Century and its subsidiaries' policy is that all customers who trade on credit terms are subject to credit verification procedures and that premium receivable and notes receivable collections are monitored on an ongoing basis. Therefore, Cathay Century and its subsidiaries' bad debt are insignificant. On the other hand, in the event counterparty's creditworthiness deteriorates, Cathay Century and its subsidiaries will suspend the related contracts and resume exercising relevant rights and obligations when transaction status is restored.

Cathay Century and its subsidiaries' secured lending operations must be approved and verified by performing credit verification procedures, and obtain real property security provided by the counterparty. In the event the counterparty's creditworthiness deteriorates, Cathay Century and its subsidiaries may exercise under their own discretion the relevant security rights upon presentation, to protect the Cathay Century and its subsidiaries' interests.

Cathay Century and its subsidiaries' 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 Cathay Century and its subsidiaries or banks with which Cathay Century and its subsidiaries maintain deposits fail to deliver in accordance with the agreement due to default, bankruptcy or settlement, and Cathay Century and its subsidiaries incur financial losses as a result.

(B) Counterparty risk is the risk that a counterparty of Cathay Century and its subsidiaries to deliver as obligated before the settlement date which then cause losses to Cathay Century 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 underling assets linked to a financial instrument.

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b. Credit concentration risk analysis

(A) The amounts of credit risk exposure of Cathay Century and its subsidiaries' financial assets are as follows:

Financial assets	The amount of credit risk exposure - by area					
	2014.6.30 (NT\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$4,116,103	\$343	\$4,417	\$841,380	\$3,216,680	\$8,178,923
Financial assets at fair value through profit or loss	922,703	-	-	-	228,044	1,150,747
Available-for-sale financial assets	6,751,564	-	58,383	46,883	1,492,564	8,349,394
Derivative financial assets for hedging	4,562	-	-	-	-	4,562
Bond investments with no active market exists	850,000	-	321,121	496,472	1,306,493	2,974,086
Held-to-maturity investments	-	-	-	1,356,076	285,032	1,641,108
Total	\$12,644,932	\$343	\$383,921	\$2,740,811	\$6,528,813	\$22,298,820
Each area percentage	56.71%	0.00%	1.72%	12.29%	29.28%	100.00%

Financial assets	The amount of credit risk exposure - by area					
	2014.6.30 (US\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$137,801	\$12	\$148	\$28,168	\$107,689	\$273,818
Financial assets at fair value through profit or loss	30,891	-	-	-	7,634	38,525
Available-for-sale financial assets	226,031	-	1,954	1,570	49,969	279,524
Derivative financial assets for hedging	153	-	-	-	-	153
Bond investments with no active market exists	28,456	-	10,751	16,621	43,740	99,568
Held-to-maturity investments	-	-	-	45,399	9,543	54,942
Total	\$423,332	\$12	\$12,853	\$91,758	\$218,575	\$746,530
Each area percentage	56.71%	0.00%	1.72%	12.29%	29.28%	100.00%

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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%

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	\$-	\$266	\$33,216	\$92,912	\$274,415
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	\$-	\$11,040	\$100,059	\$169,733	\$695,689
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					
	2013.6.30 (NT\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$4,292,880	\$105	\$18,339	\$178,891	\$2,443,764	\$6,933,979
Financial assets at fair value through profit or loss	180,185	-	-	-	42,268	222,453
Available-for-sale financial assets	5,621,346	-	-	1,268,398	1,828,535	8,718,279
Derivative financial assets for hedging	11,546	-	-	-	-	11,546
Bond investments with no active market exists	700,000	-	323,092	302,295	460,060	1,785,447
Held-to-maturity investments	-	-	-	2,175,814	-	2,175,814
Total	\$10,805,957	\$105	\$341,431	\$3,925,398	\$4,774,627	\$19,847,518
Each area percentage	54.44%	0.00%	1.72%	19.78%	24.06%	100.00%

Financial assets	The amount of credit risk exposure - by area					
	2013.6.30 (US\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$143,287	\$4	\$612	\$5,971	\$81,568	\$231,442
Financial assets at fair value through profit or loss	6,014	-	-	-	1,411	7,425
Available-for-sale financial assets	187,629	-	-	42,336	61,032	290,997
Derivative financial assets for hedging	385	-	-	-	-	385
Bond investments with no active market exists	23,365	-	10,784	10,090	15,356	59,595
Held-to-maturity investments	-	-	-	72,624	-	72,624
Total	\$360,680	\$4	\$11,396	\$131,021	\$159,367	\$662,468
Each area percentage	54.44%	0.00%	1.72%	19.78%	24.06%	100.00%

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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%

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%

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c. Credit risk quality analysis

(A) Credit quality classifications of Cathay Century and its subsidiaries' financial assets are as follows:

Financial assets	Credit quality of financial assets				
	2014.6.30 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investme nt level			
Cash and cash equivalents	\$8,178,923	\$-	\$-	\$-	\$8,178,923
Financial assets at fair value through profit or loss	1,150,747	-	-	-	1,150,747
Available-for-sale financial assets	8,349,394	-	-	-	8,349,394
Derivative financial assets for hedging	4,562	-	-	-	4,562
Bond investments with no active market exists	2,974,086	-	-	-	2,974,086
Held-to-maturity investments	1,641,108	-	-	-	1,641,108
Total	\$22,298,820	\$-	\$-	\$-	\$22,298,820

Financial assets	Credit quality of financial assets				
	2014.6.30 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investme nt level			
Cash and cash equivalents	\$273,818	\$-	\$-	\$-	\$273,818
Financial assets at fair value through profit or loss	38,525	-	-	-	38,525
Available-for-sale financial assets	279,524	-	-	-	279,524
Derivative financial assets for hedging	153	-	-	-	153
Bond investments with no active market exists	99,568	-	-	-	99,568
Held-to-maturity investments	54,942	-	-	-	54,942
Total	\$746,530	\$-	\$-	\$-	\$746,530

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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				
	2013.6.30 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$6,933,979	\$-	\$-	\$-	\$6,933,979
Financial assets at fair value through profit or loss	222,453	-	-	-	222,453
Available-for-sale financial assets	8,718,279	-	-	-	8,718,279
Derivative financial assets for hedging	11,546	-	-	-	11,546
Bond investments with no active market exists	1,785,447	-	-	-	1,785,447
Held-to-maturity investments	2,175,814	-	-	-	2,175,814
Total	\$19,847,518	\$-	\$-	\$-	\$19,847,518

Financial assets	Credit quality of financial assets				
	2013.6.30 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$231,442	\$-	\$-	\$-	\$231,442
Financial assets at fair value through profit or loss	7,425	-	-	-	7,425
Available-for-sale financial assets	290,997	-	-	-	290,997
Derivative financial assets for hedging	386	-	-	-	386
Bond investments with no active market exists	59,594	-	-	-	59,594
Held-to-maturity investments	72,624	-	-	-	72,624
Total	\$662,468	\$-	\$-	\$-	\$662,468

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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

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-.

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(B) Secured loans

Secured loans	2014.6.30 (NT\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$145,999	\$-	\$-	\$-	\$125,544	\$271,543	\$1,658	\$269,885
Corporate Finance	60,000	-	-	-	165,873	225,873	80,769	145,104
Total	\$205,999	\$-	\$-	\$-	\$291,417	\$497,416	\$82,427	\$414,989

Secured loans	2014.6.30 (US\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$4,888	\$-	\$-	\$-	\$4,203	\$9,091	\$56	\$9,035
Corporate Finance	2,009	-	-	-	5,553	7,562	2,704	4,858
Total	\$6,897	\$-	\$-	\$-	\$9,756	\$16,653	\$2,760	\$13,893

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

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Secured loans	2013.6.30 (NT\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$134,968	\$-	\$-	\$-	\$128,337	\$263,305	\$1,617	\$261,688
Corporate Finance	60,000	-	-	-	245,969	305,969	81,461	224,508
Total	\$194,968	\$-	\$-	\$-	\$374,306	\$569,274	\$83,078	\$486,196

Secured loans	2013.6.30 (US\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$4,505	\$-	\$-	\$-	\$4,283	\$8,788	\$54	\$8,734
Corporate Finance	2,003	-	-	-	8,210	10,213	2,719	7,494
Total	\$6,508	\$-	\$-	\$-	\$12,493	\$19,001	\$2,773	\$16,228

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

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

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C. Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal controls, employee fraud or misconduct and management negligence. To mitigate the operational risk, the Company and Subsidiary adapt and implement the internal control regulations and sheets. Cathay Century and its subsidiaries 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 Cathay Century and its subsidiaries cannot to raise sufficiently capital on reasonable terms and reasonable cost of capital leading to cash flow gap. Market liquidity risk when happens Cathay Century and its subsidiaries raise the necessary capital but sell assets at below market price leading Cathay Century and its subsidiaries taking the risk of loss.

b. Liquidity risk management

Cathay Century and its subsidiaries established a capital liquidity management mechanism based on the business features and monitoring short-term cash flow. Considering the trading volume and holding position, Cathay Century and its subsidiaries carefully manage the market liquidity risk. Moreover, Cathay Century and its subsidiaries have drawn up a plan for capital requirements with respect to abnormal and emergency conditions to deal with significant liquidity risk.

Depending on the actual management need or special situation, Cathay Century and its subsidiaries uses models to assess cash flow risk, such as cash flow model or stress testing model.

Stress testing analysis is used to test changes of capital liquidity in the event of extreme in order to ensure liquidity. Stress scenarios, including significant market volatility, a variety of credit events, non-anticipated events of the financial market liquidity crunch and any other scenario which may trigger liquidity pressures is used to assess Cathay Century and its subsidiaries' overall capital supply, demand and changes in cash flow gap.

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In the event of cash flow gap, the will conduct an internal discussion and report the result to supervisors and the funding management department. The risk management department will take necessary measures to prevent further stressful events.

c. The table below summarizes the maturity profile of Cathay Century and its subsidiaries' financial liabilities based on contractual undiscounted payments.

Liabilities	2014.6.30 (NT\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$2,812,854	\$1,463,693	\$1,433,427	\$13,976	\$14,951	\$1,339	\$-
Financial liabilities at fair value through profit or loss	4,876	4,876	-	4,876	-	-	-
Preferred stock liability	1,000,000	1,000,000	-	-	-	1,000,000	-

Liabilities	2014.6.30 (US\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$94,170	\$49,002	\$47,989	\$468	\$500	\$45	\$-
Financial liabilities at fair value through profit or loss	163	163	-	163	-	-	-
Preferred stock liability	33,479	33,479	-	-	-	33,479	-

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	2013.6.30 (NT\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$3,431,959	\$1,559,744	\$1,540,107	\$16,610	\$1,411	\$1,616	\$-
Financial liabilities at fair value through profit or loss	108,987	108,987	-	108,987	-	-	-
Preferred stock liability	1,000,000	1,000,000	-	-	-	-	1,000,000

Liabilities	2013.6.30 (US\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$114,551	\$52,061	\$51,406	\$554	\$47	\$54	\$-
Financial liabilities at fair value through profit or loss	3,638	3,638	-	3,638	-	-	-
Preferred stock liability	33,378	33,378	-	-	-	-	33,378

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.

Cathay Century and its subsidiaries continue to use market risk management tools such as value-at-risk and stress testing to completely and effectively measure, monitor and manage market risk.

a. Value-at-risk

Value-at-risk is used to measure the maximum potential loss of a portfolio in a certain future time horizon and confidence level when the market risk factors change. Cathay Century and its subsidiaries estimate value at risk on the next day (week or two weeks) with a 99% level of confidence.

Value-at-risk model must reasonably completely and accurately measure the maximum potential risk that can be Cathay Century and its subsidiaries' risk management model. The use of risk management model must continue to conduct back testing daily to ensure the model can effectively measure financial instrument and what the maximum potential risk of a portfolio is.

b. Stress testing

In addition to the value-at-risk model, Cathay Century and its subsidiaries periodically use stress testing to assess the potential risk of extreme incidents. Stress testing is used to evaluate the potential impact on portfolio values when a series of financial variables undergo extreme changes.

Cathay Century and its subsidiaries conduct stress testing regularly on positions by simple sensitivity analysis and scenario analysis. The stress testing contains changes of various risk factors in all historical scenarios that may cause losses in an investment portfolio.

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(A) Simple Sensitivity

Simple sensitivity mainly evaluate changes in value of portfolio caused by specific risk factor

(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 Cathay Century and its subsidiaries to perform risk analysis, risk alert and business management based on the stress test report

2014.6.30	Stress testing		
Risk factors	Variation (+/-)	Changes in profit and loss	
		NT\$	US\$
Equity price risk (Index)	-10%	\$(227,035)	\$(7,601)
Interest rate risk (Yield curve)	20bp	(70,301)	(2,354)
Foreign currency risk (Exchange rate)	USD exchange NTD devalue 1 dollar	(111,772)	(3,741)

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2014.6.30		Profit and loss		Equity	
		NT\$	US\$	NT\$	US\$
Foreign currency risk sensitivity	CNY appreciate 1 %	\$21,611	\$724	\$7,595	\$254
	HKD appreciate 1 %	-	-	150	5
	NTD appreciate 1 %	(13,623)	(456)	(2,723)	(91)
Interest rate risk sensitivity	Yield curve (USD) flat rises 1bp	(1,839)	(62)	(134)	(4)
	Yield curve (CNY) flat rises 1bp	(57)	(2)	(75)	(3)
	Yield curve (NTD) flat rises 1bp	(141)	(5)	(1,270)	(43)
Equity securities price sensitivity	Increase 1% in equity price	-	-	(22,703)	(760)

2013.6.30	Stress testing		
Risk factors	Variation (+/-)	Changes in profit and loss	
		NT\$	US\$
Equity price risk (Index)	-10%	\$(178,639)	\$(5,963)
Interest rate risk (Yield curve)	20bp	(71,941)	(2,401)
Foreign currency risk (Exchange rate)	USD exchange NTD devalue 1 dollar	(213,037)	(7,111)

2013.06.30		Profit and loss		Equity	
		NT\$	US\$	NT\$	US\$
Foreign currency risk sensitivity	CNY appreciate 1 %	\$10,814	\$361	\$-	\$-
	HKD appreciate 1 %	78	3	-	-
	NTD appreciate 1 %	(9,893)	(330)	-	-
Interest rate risk sensitivity	Yield curve (USD) flat rises 1bp	(1,486)	(50)	(143)	(5)
	Yield curve (CNY) flat rises 1bp	-	-	(95)	(3)
	Yield curve (NTD) flat rises 1bp	(108)	(4)	(1,766)	(59)
Equity securities price sensitivity	Increase 1% in equity price	-	-	17,864	596

c. Cathay Securities and its subsidiaries

(A) Risk management policies

i. Risk management objectives

Adhere to the risk management policies of the Company, Cathay Financial Holding, 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.

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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.

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

① 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.

② 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.

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③ 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.

④ 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.

⑤ 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.

⑥ 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.

⑦ Accounting Department

The accounting department participates in the planning of risk management mechanism and providing the form of capital adequacy to risk management department monthly.

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⑧ 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.

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:

① 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 set 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.

② Credit Risk

(a) Definition

Credit risk is the risk that counterparty will not meet its obligations under a contract due to the aggravation of financial conditions or other factors, leading to a financial loss.

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(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, and Fitch).

③ 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 belongs 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.

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④ 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 compile 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.

⑤ 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 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.

⑥ 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.

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(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.

⑦ 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.

(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.

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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 provide the exception report. The reason and specific responses are also need to be informed.

(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

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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.

2014.6.30

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	\$5,900,000	\$-	\$-	\$-	\$5,900,000
Financial liabilities at fair value					
through profit or loss -current	1,355,357	-	-	-	1,355,357
Liabilities for bonds with repurchase agreements	2,250,000	-	-	-	2,250,000
Deposits for securities borrowed	17,830	35,660	53,490	213,957	320,937
Futures trader's equity	2,064,323	-	-	-	2,064,323
Account payables	4,764,722	-	-	-	4,764,722
Others	1,000	-	-	12,715	13,715
Total	\$16,353,232	\$35,660	\$53,490	\$226,672	\$16,669,054
% to the total	98.11%	0.21%	0.32%	1.36%	100.00%

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2014.6.30

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	\$197,523	\$-	\$-	\$-	\$197,523
Financial liabilities at fair value					
through profit or loss -current	45,375	-	-	-	45,375
Liabilities for bonds with repurchase agreements	75,326	-	-	-	75,326
Deposits for securities borrowed	597	1,194	1,791	7,163	10,745
Futures trader's equity	69,110	-	-	-	69,110
Account payables	159,515	-	-	-	159,515
Others	33	-	-	426	459
Total	\$547,479	\$1,194	\$1,791	\$7,589	\$558,053
% to the total	98.11%	0.21%	0.32%	1.36%	100.00%

Short-term loans, note payables and repurchase bonds are fund procurement instruments and matured within three months.

2014.6.30

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	\$901,579	\$-	\$-	\$-	\$901,579
Financial assets at fair value through profit or loss -current					
Operations Security	7,290,058	-	-	-	7,290,058
Open-end Funds	79,019	-	-	-	79,019
Call option-futures	-	-	-	10,606	10,606
Futures trading margin	-	-	-	380,961	380,961
Available for sale financial assets	818,019	-	-	235,106	1,053,125
Other current asstes-time deposit	2,064,835	-	-	-	2,064,835
Client margin accounts	-	-	-	900,000	900,000
Account Receivables	5,274,373	380	570	2,909	5,278,232
Securities financing receivables	150,908	301,816	452,724	1,810,899	2,716,347
Others	4,000	-	-	1,024,627	1,028,627
Subtotal	16,582,791	302,196	453,294	4,365,108	21,703,389
Residual cash	\$229,559	\$266,536	\$399,804	\$4,138,436	\$5,034,335

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Financial Assets	2014.6.30				Total
	Cash Flow Gap (US\$)				
	Received Terms				
	Less than 1 month	1 to 3 months	3 to 6 months	More than 6 months	
Cash and cash equivalents	\$30,183	\$-	\$-	\$-	\$30,183
Financial assets at fair value through profit or loss -current					
Operations Security	244,060	-	-	-	244,060
Open-end Funds	2,645	-	-	-	2,645
Call option-futures	-	-	-	355	355
Futures trading margin	-	-	-	12,754	12,754
Available for sale financial assets	27,386	-	-	7,871	35,257
Other current asstes-time deposit	69,127	-	-	-	69,127
Client margin accounts	-	-	-	30,131	30,131
Account Receivables	176,578	13	19	97	176,707
Securities financing receivables	5,052	10,104	15,157	60,626	90,939
Others	134	-	-	34,303	34,437
Subtotal	555,165	10,117	15,176	146,137	726,595
Residual cash	\$7,686	\$8,923	\$13,385	\$138,548	\$168,542

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:

- ① Raising money and balance sheet adjustment are made in accordance with the Group “Crisis Management Principles” and “Regulations of Emergency Management”

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- ② Money Raising: (i) short-term loan credit line (ii) collateralized time deposits (iii) issuance of commercial paper
- ③ 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:

- ① Price value of basis point: denoting the change in the value of a position given a basis point change in the yield curve.
- ② Delta: measuring the change in the value of a position given 1% price change of a certain underlying asset.
- ③ Gamma: measuring the dollar amount of change in Delta of a position given 1% price change of a certain underlying asset.
- ④ 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 simples 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.

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VaR at one single trading day within 99% confidence level

2014.1.1~2014.6.30	NT\$ (in thousands)	US\$ (in thousands)
Period Ended	15,242	510
Average	15,519	520
Lowest	7,135	239
Highest	29,064	973

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.

① 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.

② 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.

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Table of Stress Test

<u>Risk Simple</u>	<u>Price Risk</u>	<u>Changes (+/-)</u>	<u>Changes in profit and loss (NT\$)</u>	<u>Changes in profit and loss (US\$)</u>
Equity Risk	Stock index	-10%	\$(131,771)	\$(4,411)
Interest Risk	Yield Curve	+100bps	(97,980)	(3,280)
Exchange Risk	Exchange Rate	+3%	(5,512)	(185)
Produce Risk	Price	-10%	-	-

- (3) Exchange rates used to translate material financial assets and liabilities denominated in foreign currencies are disclosed as follows:

	2014.6.30		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NT\$</u>
<u>Financial Assets</u>			
<u>Monetary Items</u>			
USD	\$47,131,059	29.9150	\$1,409,925,630
CNY	64,546,583	4.8194	311,075,802
<u>Non-Monetary Items</u>			
USD	5,149,267	29.9150	154,040,322
<u>Financial Liabilities</u>			
<u>Monetary Items</u>			
USD	7,253,396	29.9150	216,985,341
	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
CNY	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

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	2013.6.30		
	Foreign Currency	Exchange Rate	NT\$
<u>Financial Assets</u>			
<u>Monetary Items</u>			
USD	\$46,213,859	30.1200	\$1,391,961,432
CNY	23,715,221	4.9079	116,392,763
<u>Non-Monetary Items</u>			
USD	3,835,551	30.1200	115,526,796
<u>Financial Liabilities</u>			
<u>Monetary Items</u>			
USD	5,894,212	30.1200	177,533,665
	2013.1.1		
	Foreign Currency	Exchange Rate	NT\$
<u>Financial Assets</u>			
<u>Monetary Items</u>			
USD	\$45,105,812	29.1360	\$1,314,202,938
CNY	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	2014.6.30			
	Carrying amount		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$138,920,755	\$4,650,846	\$138,920,755	\$4,650,846
Overseas stocks	57,601,493	1,928,406	57,601,493	1,928,406
Repurchase bonds	7,358,000	246,334	7,358,000	246,334
Cash in banks	25,411,237	850,728	25,411,237	850,728
Beneficiary certificates	8,193,263	274,297	8,193,263	274,297
Futures and options	900,013	30,131	900,013	30,131
Corporate bonds	728,476	24,388	728,476	24,388
Total	\$239,113,237	\$8,005,130	\$239,113,237	\$8,005,130

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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	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	<u>\$230,496,881</u>	<u>\$7,727,016</u>	<u>\$230,496,881</u>	<u>\$7,727,016</u>

Item	2013.6.30			
	Carrying amount		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$120,959,875	\$4,037,379	\$120,959,875	\$4,037,379
Overseas stocks	40,981,093	1,367,860	40,981,093	1,367,860
Repurchase bonds	200,000	6,676	200,000	6,676
Cash in banks	20,820,597	694,946	20,820,597	694,946
Beneficiary certificates	22,453,043	749,434	22,453,043	749,434
Futures and options	857,370	28,617	857,370	28,617
Corporate bonds	1,027,405	34,293	1,027,405	34,293
Total	<u>\$207,299,383</u>	<u>\$6,919,205</u>	<u>\$207,299,383</u>	<u>\$6,919,205</u>

Item	2013.1.1			
	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	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>

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As of 30 June 2014, Cathay Life entered into discretionary account management contracts in the amounts of NT\$140,000,000 (US\$4,686,977) thousands, US\$1,800,000 thousands, and HK\$1,550,000 (US\$199,995) 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\$257,865) thousands. As of 30 June 2013, Cathay Life entered into discretionary account management contracts in the amounts of NT\$140,000,000 (US\$4,672,897) thousands, US\$1,990,000 thousands, and HK\$2,000,000 (US\$257,865) thousands. As of 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.

(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.

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C. Cross utilization of information:

In compliance with “Financial Holding Companies Act”, “Personal Data Protection Act”, “Financial Holding Subsidiaries Cross-selling Activities Acts”, “Self-disciplinary Rules Governing the Activities of the FHC” and other related regulations from Financial Supervisory Commission, Executive Yuan, the Company has stipulated “Cathay Financial Holding Subsidiaries Cross-selling Activities Acts” and ”Non-disclosure Confidential Agreement of Cathay Financial Holding Subsidiaries Cross-utilization of Customer’s Personal Data” to cross-utilize customer’s personal data under a safe and secure environment and provide comprehensive and integrated financial service to the customers.

D. Locations and business utilities:

In order to provide more comprehensive financial service and comply with the “Financial Holding Subsidiaries Cross-selling Activities Acts”, the Company has applied and obtained approval from the competent authority. Since 13 September 2010, all the business units of Cathay United Bank (165 branches) may engage in cross-selling activities for insurance business and securities business (except for 3 mini-branches). On 2 September 2011, Cathay Life has been approved by the competent authorities to engage in cross-selling activities for banking, property and casualty insurance businesses in all its business and service units (186 locations). In the future, the Group will continue to apply for approval to expand its cross-selling businesses.

E. Allocation of revenues, costs, expenses, profits and losses:

Revenue, costs, expenses, profits or losses arising from integrated business activities between the subsidiaries are allocated to each subsidiary based on the related business features.

(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 1 January 2014. Items and amounts of retrospective adjustments are summarized below:

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Effects on the balance sheet items

	NT\$		
	2013.12.31	2013.6.30	2013.1.1
Increase in investment property-net	\$100,131,068	\$83,198,293	\$78,757,926
Increase in property and equipment -net	247,507	-	-
Increase in assets held for sale -net	13,471	-	-
Increase in deferred tax assets	23,525	18,637	19,610
Increase in deferred tax liabilities	6,165,422	5,362,071	3,535,386
(Decrease) increase in retained earnings	84,242,411	77,854,859	75,242,150
Increase in other equity	10,007,738	-	-

	US\$		
	2013.12.31	2013.6.30	2013.1.1
Increase in investment property-net	\$3,356,724	\$2,776,979	\$2,711,116
Increase in property and equipment -net	8,297	-	-
Increase in assets held for sale -net	452	-	-
Increase in deferred tax assets	789	622	675
Increase in deferred tax liabilities	206,685	178,974	121,700
(Decrease) increase in retained earnings	2,824,084	2,598,627	2,590,091
Increase in other equity	335,492	-	-

Effects on the statements of comprehensive income items

	NT\$	
	2014.4.1~2014.6.30	2013.4.1~2013.6.30
Increase in operating revenue	\$16,539,403	\$3,638,664
Decrease in operating expenses	-	400,554
Depreciation expense recorded for renting investment property, which is considered owner-occupied property, to related parties	(121,250)	-
Increase in income tax expense	(2,536,812)	(1,730,297)
Increase in net income	13,881,341	2,308,921
Increase in other comprehensive income	-	-
Increase in earnings per share	1.10	0.19

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	US\$	
	2014.4.1~2014.6.30	2013.4.1~2013.6.30
Increase in operating revenue	\$553,713	\$121,451
Decrease in operating expenses	-	13,370
Depreciation expense recorded for renting investment property, which is considered owner-occupied property, to related parties	(4,059)	-
Increase in income tax expense	(84,928)	(57,754)
Increase in net income	464,725	77,067
Increase in other comprehensive income	-	-
Increase in earnings per share	0.04	0.01

	NT\$		
	2014.1.1~ 2014.6.30	2013.1.1~ 2013.12.31	2013.1.1~ 2013.6.30
Increase in operating revenue	\$16,521,555	\$9,252,429	\$3,626,837
Decrease in operating expenses	-	1,575,875	813,530
Depreciation expense recorded for renting investment property, which is considered owner-occupied property, to related parties	(242,554)	-	-
Increase in income tax expense	(2,527,827)	(1,828,043)	(1,827,658)
Increase in net income	13,751,174	9,000,261	2,612,709
Increase in other comprehensive income	827,609	10,007,738	-
Increase in earnings per share	1.09	0.74	0.22

	US\$		
	2014.1.1~ 2014.6.30	2013.1.1~ 2013.12.31	2013.1.1~ 2013.6.30
Increase in operating revenue	553,115	310,172	121,056
Decrease in operating expenses	-	52,829	27,154
Depreciation expense recorded for renting investment property, which is considered owner-occupied property, to related parties	(8,120)	-	-
Increase in income tax expense	(84,628)	(61,282)	(61,003)
Increase in net income	460,367	301,718	87,207
Increase in other comprehensive income	27,707	335,492	-
Increase in earnings per share	0.04	0.03	0.01

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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 thousands and US\$27,150 thousands, 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 thousands approved by MOEAIC on 20 December 2010. Also, MOEAIC authorized Cathay Life to remit US\$59,000 thousands 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 2 April 2012. MOEAIC also authorized the revision of the amount of US\$32,520 thousands of unexecuted project to CNY¥200,000 (US\$32,239) thousands to avoid currency risk on 14 September 2013. The total registered capital was US\$110,730 thousands. 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 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on 12 August 2014. Cathay Life has remitted US\$48,330 thousands to the subsidiary as of 31 December 2009. Cathay Life injected additional US\$29,880 thousands on 29 September 2010 and CNY¥200,000 (US\$32,239) thousands on 8 May 2014. As of 30 June 2014, Cathay Life's remittances to the subsidiary totaled approximately CNY¥200,000 (US\$32,239) thousands and US\$78,210 thousands.

B. On 17 October 2007, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Life to remit US\$26,390 thousands as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century). On 6 March 2008, MOEAIC authorized Cathay Life to increase the remittances from US\$26,390 thousands to US\$28,960 thousands. On 15 August 2008, MOEAIC further authorized Cathay Life to revise the remittance from US\$28,960 thousands to US\$28,140 thousands. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century 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 CNY¥200,000 (US\$32,239) thousands to increase the share capital. As of 30 June 2014, Cathay Life's remittances to this general insurance company totaled approximately CNY¥200,000 (US\$32,239) thousands and US\$28,140 thousands.

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- C. On 1 November 2011 and 11 April 2012, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Life to remit CNY¥300,000 (US\$47,000) thousands and CNY¥500,000 (US\$80,000) thousands, 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 CNY¥700,000 (US\$111,000) thousands to increase the share capital. As of 30 June 2014, Cathay Life's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately CNY¥1,500,000 (US\$241,795) thousands.
- D. On 31 December 2006, Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Century to remit US\$28,960 thousands as the registered capital to establish a China-based general insurance subsidiary (in the form of joint venture with Cathay Life.) Cathay Century has received approved from the China Insurance Regulatory Commission on 8 October 2007 to form a joint venture general insurance company. Cathay Century and Cathay Life's subsidiary, Cathay Insurance Company Ltd. (China) has acquired a business license of an enterprise legal person on 26 August 2008. And the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Century to remit CNY¥200,000 (US\$32,239) thousands as the equity capital on 28 May 2013. As of 30 June 2014, Cathay Century's remittances to this company totaled approximately US\$60,310 thousands.
- E. The Investment Commission, MOEA approved Cathay United Bank to remit to China CNY¥400,000 (US\$60,067) thousands. 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 CNY¥400,000 (US\$59,768) thousands. The remaining amount of US\$299 thousands was repatriated by Shanghai Branch, Cathay United Bank on 5 November 2010. The investment amounts were revised by Cathay United Bank by reporting to the Investment Commission of the Ministry of Economic Affairs (MOEAIC) in 18 January 2011 and were approved on 24 January 2011. In addition, the Investment Commission, MOEA further approved Cathay United Bank to remit CNY¥600,000 (US\$95,024) thousands to China. 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 CNY¥600,000 (US\$94,929) thousands. The remaining amount of US\$95 thousand was repatriated by Cathay United Bank's Shanghai Branch on 1 February 2012. The investment amounts were revised by Cathay United Bank by reporting to the Investment Commission of the Ministry of Economic Affairs (MOEAIC) on 20 March 2012 and were approved on 26 March 2012. According to the Investment Commission of the Ministry of Economic Affairs (MOEAIC), further approved working capital of Cathay United Bank's Qingdao Branch was CNY¥600,000 (US\$94,310) thousands on 21 January 2014.

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F. On 9 January 2012 the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Securities Investments Trust to remit CNY¥66,600 thousands 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 CNY¥200,000 (US\$32,239) thousands, and has acquired a business license of an enterprise legal person on 16 August 2013. As of 30 June 2014, Cathay Securities Investment Trust remittances to CDBS Cathay Asset Management totaled approximately CNY¥66,600 (US\$10,736) thousands.

(10) Segment information

The Group separated operating segments based on the natures of business and they classified into five reportable segments for the purpose of management:

- A. Banking operating segments: Banking operating segments operate the permitted businesses of commercial banks provided by the Banking Act of the Republic of China, foreign exchange business, guarantee business, advisory service of foreign currency investments, trust business, offshore banking units and other financial business of investments from returning expatriates.
- B. Life insurance operating segments: Life insurance operating segments operate the sales of traditional insurance policies, investment-linked insurance policies and floating-rate annuity insurance products.
- C. Properties insurance operating segments: Properties insurance operating segments engage in fire insurance, marine insurance, land and air insurance, liability insurance, reinsurance and other insurance.
- D. Securities operating segments: Securities operating segments are responsible for securities brokerage, discretionary and underwriting and dedicates to the innovation and development of financial products and services by providing a variety of new financial products.
- E. Other operating segments: Such segments include assets, liabilities, revenue and expenditure which are not able to be allocated to certain operating segments.

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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.

2014.4.1~2014.6.30(NT\$)

Items	Bank division	Life insurance division	Property and casualty insurance division	Securities division	Other division	Total
Interest income	\$6,396,993	\$24,693,552	\$119,037	\$27,357	\$(283,930)	\$30,953,009
Net income other than interest	4,544,107	43,242,761	1,820,998	375,670	472,952	50,456,488
Total income	10,941,100	67,936,313	1,940,035	403,027	189,022	81,409,497
Bad debt expenses and Provision for premiums reserve	(262,973)	(177,512)	(9,831)	-	-	(450,316)
The net change of insurance liabilities	-	(46,385,317)	(396,428)	-	-	(46,781,745)
Operating expenses	(5,117,154)	(6,877,963)	(1,047,644)	(286,115)	(162,884)	(13,491,760)
Income (loss) from continuing operations before income taxes	5,560,973	14,495,521	486,132	116,912	26,138	20,685,676
Income taxes (expense) benefit	(794,770)	(1,268,978)	(14,873)	(12,249)	(346,165)	(2,437,035)
Consolidated net income	4,766,203	13,226,543	471,259	104,663	(320,027)	18,248,641

2014.4.1~2014.6.30(US\$)

Items	Bank division	Life insurance division	Property and casualty insurance division	Securities division	Other division	Total
Interest income	\$214,161	\$826,701	\$3,985	\$916	\$(9,506)	\$1,036,257
Net income other than interest	152,130	1,447,698	60,964	12,577	15,834	1,689,203
Total income	366,291	2,274,399	64,949	13,493	6,328	2,725,460
Bad debt expenses and Provision for premiums reserve	(8,804)	(5,943)	(329)	-	-	(15,076)
The net change of insurance liabilities	-	(1,552,906)	(13,272)	-	-	(1,566,178)
Operating expenses	(171,315)	(230,263)	(35,073)	(9,579)	(5,453)	(451,683)
Income (loss) from continuing operations before income taxes	186,172	485,287	16,275	3,914	875	692,523
Income taxes (expense) benefit	(26,607)	(42,484)	(498)	(410)	(11,589)	(81,588)
Consolidated net income	159,565	442,803	15,777	3,504	(10,714)	610,935

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2013.4.1~2013.6.30(NTS)

Items	Bank division	Life insurance division	Property and casualty insurance division	Securities division	Other division	Total
Interest income	\$5,670,691	\$22,811,576	\$88,760	\$33,321	\$(296,385)	\$28,307,963
Net income other than interest	2,995,175	54,042,074	1,741,201	234,415	330,127	59,342,992
Total income	8,665,866	76,853,650	1,829,961	267,736	33,742	87,650,955
Bad debt expenses and Provision for premiums reserve	(90,088)	(359,275)	(1,737)	-	-	(451,100)
The net change of insurance liabilities	-	(61,414,678)	(292,331)	-	-	(61,707,009)
Operating expenses	(4,184,974)	(6,761,104)	(934,042)	(239,550)	(437,474)	(12,557,144)
Income (loss) from continuing operations before income taxes	4,390,804	8,318,593	601,851	28,186	(403,732)	12,935,702
Income taxes (expense) benefit	(575,512)	(2,150,484)	(61,161)	1,311	(128,266)	(2,914,112)
Consolidated net income	3,815,292	6,168,109	540,690	29,497	(531,998)	10,021,590

2013.4.1~2013.6.30(US\$)

Items	Bank division	Life insurance division	Property and casualty insurance division	Securities division	Other division	Total
Interest income	\$189,275	\$761,401	\$2,963	\$1,112	\$(9,893)	\$944,858
Net income other than interest	99,973	1,803,808	58,117	7,824	11,019	1,980,741
Total income	289,248	2,565,209	61,080	8,936	1,126	2,925,599
Bad debt expenses and Provision for premiums reserve	(3,007)	(11,992)	(58)	-	-	(15,057)
The net change of insurance liabilities	-	(2,049,889)	(9,757)	-	-	(2,059,646)
Operating expenses	(139,685)	(225,671)	(31,177)	(7,995)	(14,602)	(419,130)
Income (loss) from continuing operations before income taxes	146,556	277,657	20,088	941	(13,476)	431,766
Income taxes (expense) benefit	(19,210)	(71,779)	(2,041)	44	(4,281)	(97,267)
Consolidated net income	127,346	205,878	18,047	985	(17,757)	334,499

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2014.1.1~2014.6.30(NT\$)

Items	Bank division	Life insurance division	Property and casualty insurance division	Securities division	Other division	Total
Interest income	\$12,612,208	\$49,147,838	\$244,338	\$50,619	\$(567,712)	\$61,487,291
Net income other than interest	7,988,861	92,419,443	3,580,844	789,651	845,907	105,624,706
Total income	20,601,069	141,567,281	3,825,182	840,270	278,195	167,111,997
Bad debt expenses and Provision for premiums reserve	(127,572)	(302,663)	(12,406)	-	-	(442,641)
The net change of insurance liabilities	-	(106,317,475)	(740,341)	-	-	(107,057,816)
Operating expenses	(10,146,295)	(12,988,446)	(1,961,664)	(570,347)	(599,571)	(26,266,323)
Income (loss) from continuing operations before income taxes	10,327,202	21,958,697	1,110,771	269,923	(321,376)	33,345,217
Income taxes (expense) benefit	(1,569,326)	(856,183)	(44,824)	(28,651)	(244,384)	(2,743,368)
Consolidated net income	8,757,876	21,102,514	1,065,947	241,272	(565,760)	30,601,849

2014.1.1~2014.6.30(US\$)

Items	Bank division	Life insurance division	Property and casualty insurance division	Securities division	Other division	Total
Interest income	\$422,237	\$1,645,391	\$8,180	\$1,695	\$(19,006)	\$2,058,497
Net income other than interest	267,454	3,094,056	119,881	26,436	28,320	3,536,147
Total income	689,691	4,739,447	128,061	28,131	9,314	5,594,644
Bad debt expenses and Provision for premiums reserve	(4,271)	(10,133)	(415)	-	-	(14,819)
The net change of insurance liabilities	-	(3,559,340)	(24,785)	-	-	(3,584,125)
Operating expenses	(339,682)	(434,832)	(65,674)	(19,094)	(20,073)	(879,355)
Income (loss) from continuing operations before income taxes	345,738	735,142	37,187	9,037	(10,759)	1,116,345
Income taxes (expense) benefit	(52,538)	(28,663)	(1,501)	(960)	(8,182)	(91,844)
Consolidated net income	293,200	706,479	35,686	8,077	(18,941)	1,024,501

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2013.1.1~2013.6.30(NT\$)

Items	Bank division	Life insurance division	Property and casualty insurance division	Securities division	Other division	Total
Interest income	\$11,102,002	\$45,887,040	\$172,452	\$50,425	\$(559,867)	\$56,652,052
Net income other than interest	5,014,392	107,419,403	2,958,325	520,779	(517,318)	115,395,581
Total income	16,116,394	153,306,443	3,130,777	571,204	(1,077,185)	172,047,633
Bad debt expenses and Provision for premiums reserve	34,096	(572,517)	(1,737)	-	-	(540,158)
The net change of insurance liabilities	-	(125,377,330)	(245,483)	-	-	(125,622,813)
Operating expenses	(8,343,505)	(13,573,043)	(1,747,473)	(452,539)	(777,760)	(24,894,320)
Income (loss) from continuing operations before income taxes	7,806,985	13,783,553	1,136,084	118,665	(1,854,945)	20,990,342
Income taxes (expense) benefit	(1,192,657)	(2,416,178)	(104,696)	(6,102)	(29,703)	(3,749,336)
Consolidated net income	6,614,328	11,367,375	1,031,388	112,563	(1,884,648)	17,241,006

2013.1.1~2013.6.30(US\$)

Items	Bank division	Life insurance division	Property and casualty insurance division	Securities division	Other division	Total
Interest income	\$370,561	\$1,531,610	\$5,756	\$1,683	\$(18,687)	1,890,923
Net income other than interest	167,369	3,585,427	98,743	17,383	(17,267)	3,851,655
Total income	537,930	5,117,037	104,499	19,066	(35,954)	5,742,578
Bad debt expenses and Provision for premiums reserve	1,138	(19,109)	(58)	-	-	(18,029)
The net change of insurance liabilities	-	(4,184,824)	(8,194)	-	-	(4,193,018)
Operating expenses	(278,488)	(453,039)	(58,327)	(15,105)	(25,960)	(830,919)
Income (loss) from continuing operations before income taxes	260,580	460,065	37,920	3,961	(61,914)	700,612
Income taxes (expense) benefit	(39,808)	(80,647)	(3,495)	(204)	(991)	(125,145)
Consolidated net income	220,772	379,418	34,425	3,757	(62,905)	575,467

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

English Translation of Financial Statements Originally Issued in Chinese**Cathay Financial Holding Co., Ltd.****Unaudited balance sheet****As at 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013****(Expressed in thousands of dollars)**

	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$5,099,318	\$170,717	\$3,464,767	\$116,151	\$7,461,134	\$249,037	\$6,482,973	\$223,166
Financial assets at fair value through profit or loss	-	-	-	-	55,313	1,846	-	-
Available-for-sale financial assets -net	635,748	21,284	556,865	18,668	563,982	18,824	529,796	18,237
Securities purchased under agreements to resell	4,909,257	164,354	465,060	15,590	1,017,301	33,955	658,625	22,672
Receivables -net	4,034,915	135,083	3,731,473	125,091	3,152,101	105,210	2,858,180	98,388
Current income tax assets	6,532,310	218,691	5,584,675	187,217	4,252,512	141,940	3,596,184	123,793
Held-to-maturity financial assets -net	31,000,000	1,037,831	31,000,000	1,039,222	31,000,000	1,034,713	31,000,000	1,067,126
Investments accounted for using the equity method -net	427,025,580	14,296,136	384,108,973	12,876,600	331,585,003	11,067,590	328,085,643	11,293,826
Property and equipment -net	6,137	205	6,245	209	5,257	176	4,739	163
Intangible assets -net	25,266	846	-	-	-	-	-	-
Deferred tax assets -net	1,364,892	45,694	1,265,131	42,412	1,370,522	45,745	967,668	33,310
Other assets -net	155,552	5,208	170,126	5,703	162,898	5,437	161,978	5,576
Total assets	\$480,788,975	\$16,096,049	\$430,353,315	\$14,426,863	\$380,626,023	\$12,704,473	\$374,345,786	\$12,886,257
Liabilities & Equity								
Liabilities								
Financial liabilities at fair value through profit or loss	\$-	\$-	\$-	\$-	\$1,243,628	\$41,510	\$549,745	\$18,924
Commercial paper payable -net	6,190,000	207,232	5,960,000	199,799	990,000	33,044	-	-
Payables	28,072,698	939,829	8,340,650	279,606	15,247,173	508,917	5,940,873	204,505
Current income tax liabilities	176,336	5,904	37,003	1,241	87,545	2,922	-	-
Bonds payable	40,000,000	1,339,136	40,000,000	1,340,932	47,591,016	1,588,485	47,312,376	1,628,653
Provisions	616,640	20,644	671,562	22,513	656,113	21,900	864,469	29,758
Deferred tax liabilities	-	-	1	-	-	-	35,202	1,212
Other liabilities	9,296	311	14,237	477	2,330	78	3,422	118
Total liabilities	75,064,970	2,513,056	55,023,453	1,844,568	65,817,805	2,196,856	54,706,087	1,883,170
Equity								
Capital stock								
Common stock	119,649,621	4,005,679	119,649,621	4,011,050	108,653,851	3,626,631	108,653,851	3,740,236
Stock dividends to be distributed	5,982,481	200,284	-	-	7,465,770	249,191	-	-
Capital surplus	88,782,304	2,972,290	89,063,184	2,985,692	78,508,148	2,620,432	78,508,148	2,702,518
Retained earnings								
Legal reserve	19,784,401	662,350	16,922,773	567,307	16,922,773	564,846	15,222,599	524,014
Special reserve	82,305,614	2,755,461	82,314,780	2,759,463	82,314,780	2,747,489	82,314,780	2,833,555
Undistributed earnings	41,226,013	1,380,181	37,287,956	1,250,015	16,738,943	558,710	16,296,275	560,973
Other equity	47,993,571	1,606,748	30,091,548	1,008,768	11,383,825	379,967	25,823,918	888,947
Treasury stock	-	-	-	-	(7,179,872)	(239,649)	(7,179,872)	(247,156)
Total equity	405,724,005	13,582,993	375,329,862	12,582,295	314,808,218	10,507,617	319,639,699	11,003,087
Total liabilities and equity	\$480,788,975	\$16,096,049	\$430,353,315	\$14,426,863	\$380,626,023	\$12,704,473	\$374,345,786	\$12,886,257

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Audited Statements of Comprehensive Income

For the three-month periods ended 30 June 2014 and 2013, and six-month periods ended 30 June 2014 and 2013

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

	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Income								
Gains on investment-equity method	\$18,606,836	\$622,927	\$10,173,925	\$339,584	\$31,009,698	\$1,038,155	\$18,301,914	\$610,878
Other operating income	238,737	7,993	244,333	8,155	473,607	15,856	523,399	17,470
	<u>18,845,573</u>	<u>630,920</u>	<u>10,418,258</u>	<u>347,739</u>	<u>31,483,305</u>	<u>1,054,011</u>	<u>18,825,313</u>	<u>628,348</u>
Expenses and loss								
Operating expenses	(138,905)	(4,650)	(149,200)	(4,980)	(273,741)	(9,164)	(272,369)	(9,091)
Other expenses and losses	(301,628)	(10,098)	(169,868)	(5,670)	(599,197)	(20,060)	(1,491,523)	(49,784)
	<u>(440,533)</u>	<u>(14,748)</u>	<u>(319,068)</u>	<u>(10,650)</u>	<u>(872,938)</u>	<u>(29,224)</u>	<u>(1,763,892)</u>	<u>(58,875)</u>
Profit before income tax from continuing operations	<u>18,405,040</u>	<u>616,172</u>	<u>10,099,190</u>	<u>337,089</u>	<u>30,610,367</u>	<u>1,024,787</u>	<u>17,061,421</u>	<u>569,473</u>
Income tax benefit (expense)	<u>(236,892)</u>	<u>(7,931)</u>	<u>(108,973)</u>	<u>(3,637)</u>	<u>(157,139)</u>	<u>(5,261)</u>	<u>12,961</u>	<u>432</u>
Net Income	<u>\$18,168,148</u>	<u>\$608,241</u>	<u>\$9,990,217</u>	<u>\$333,452</u>	<u>\$30,453,228</u>	<u>\$1,019,526</u>	<u>\$17,074,382</u>	<u>\$569,905</u>
Other comprehensive income								
Unrealized gains from available-for-sale financial assets	\$(8,128)	\$(272)	\$18,775	\$627	\$78,883	\$2,641	\$55,621	\$1,857
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	15,080,901	504,884	(14,457,205)	(482,550)	17,833,823	597,048	(14,486,028)	(483,512)
Income tax relating to the components of other comprehensive income	1,736	58	(3,377)	(113)	(10,683)	(358)	(9,686)	(323)
Other comprehensive income, net of tax	<u>15,074,509</u>	<u>504,670</u>	<u>(14,441,807)</u>	<u>(482,036)</u>	<u>17,902,023</u>	<u>599,331</u>	<u>(14,440,093)</u>	<u>(481,978)</u>
Total comprehensive income	<u>\$33,242,657</u>	<u>\$1,112,911</u>	<u>\$(4,451,590)</u>	<u>\$(148,584)</u>	<u>\$48,355,251</u>	<u>\$1,618,857</u>	<u>\$2,634,289</u>	<u>\$87,927</u>
Earnings per share (expressed in dollars)								
Basic earnings per share:								
Net income	<u>\$1.45</u>	<u>\$0.05</u>	<u>\$0.83</u>	<u>\$0.03</u>	<u>\$2.42</u>	<u>\$0.08</u>	<u>\$1.42</u>	<u>\$0.05</u>
Diluted earning per share:								
Net income	<u>\$1.45</u>	<u>\$0.05</u>	<u>\$0.80</u>	<u>\$0.03</u>	<u>\$2.42</u>	<u>\$0.08</u>	<u>\$1.42</u>	<u>\$0.05</u>

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

For the six-month periods ended 30 June 2014 and 2013

(Expressed in thousands of dollars)

Items	Equity attributable to owners of parent																										
	Capital stock				Retained earnings								Other equity														
	Common stock		Stock dividends to be distributed		Capital surplus		Legal reserve		Special reserve		Undistributed earnings		Exchange differences resulting from translating the financial statements of a foreign operation		Unrealized gains from available-for-sale financial assets		Gains on cash flow hedges		Revaluation surplus		Others		Treasury stock		Total		
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS
Balance on 1 January 2013	\$108,653,851	\$3,626,631	\$-	\$-	\$78,508,148	\$2,620,432	\$15,222,599	\$508,098	\$82,314,780	\$2,747,489	\$16,296,275	\$543,934	\$(1,082,097)	\$(36,118)	\$25,930,563	\$865,506	\$976,682	\$32,599	\$-	\$-	\$(1,230)	\$(41)	\$(7,179,872)	\$(239,649)	\$319,639,699	\$10,668,881	
Appropriations and distribution for 2012																											
Legal reserve	-	-	-	-	-	-	1,700,174	56,748	-	-	(1,700,174)	(56,748)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	-	-	-	-	-	(7,465,770)	(249,191)	-	-	-	-	-	-	-	-	-	-	-	-	(7,465,770)	(249,191)	
Stock dividend	-	-	7,465,770	249,191	-	-	-	-	-	-	(7,465,770)	(249,191)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net income for the six-month period ended 30 June 2013	-	-	-	-	-	-	-	-	-	-	17,074,382	569,906	-	-	-	-	-	-	-	-	-	-	-	-	17,074,382	569,906	
Other comprehensive income for the six-month period ended 30 June 2013	-	-	-	-	-	-	-	-	-	-	-	-	536,898	17,920	(14,650,326)	(488,996)	(326,665)	(10,903)	-	-	-	-	-	-	(14,440,093)	(481,979)	
Comprehensive income for the six-month period ended 30 June 2013	-	-	-	-	-	-	-	-	-	-	17,074,382	569,906	536,898	17,920	(14,650,326)	(488,996)	(326,665)	(10,903)	-	-	-	-	-	-	2,634,289	87,927	
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance on 30 June 2013	\$108,653,851	\$3,626,631	\$7,465,770	\$249,191	\$78,508,148	\$2,620,432	\$16,922,773	\$564,846	\$82,314,780	\$2,747,489	\$16,738,943	\$558,710	\$(545,199)	\$(18,198)	\$11,280,237	\$376,510	\$650,017	\$21,696	\$-	\$-	\$(1,230)	\$(41)	\$(7,179,872)	\$(239,649)	\$314,808,218	\$10,507,617	
Balance on 1 January 2014	\$119,649,621	\$4,005,679	\$-	\$-	\$89,063,184	\$2,981,693	\$16,922,773	\$566,547	\$82,314,780	\$2,755,768	\$37,287,956	\$1,248,341	\$(528,034)	\$(17,678)	\$20,230,491	\$677,285	\$382,306	\$12,799	\$10,007,738	\$335,043	\$(953)	\$(32)	\$-	\$-	\$375,329,862	\$12,565,445	
Appropriations and distribution for 2013																											
Legal reserve	-	-	-	-	-	-	2,861,628	95,803	-	-	(2,861,628)	(95,803)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	-	-	-	-	-	(17,947,443)	(600,852)	-	-	-	-	-	-	-	-	-	-	-	-	(17,947,443)	(600,852)	
Stock dividend	-	-	5,982,481	200,284	-	-	-	-	-	-	(5,982,481)	(200,284)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reversal of special reserve	-	-	-	-	-	-	-	-	(9,166)	(307)	9,166	307	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other additional paid-in capital																											
Share of changes in net assets of associates and joint ventures accounted for using the equity method	-	-	-	-	(13,665)	(457)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,665)	(457)	
The capital reserve set aside for the first-time adoption of TIFRS	-	-	-	-	(267,215)	(8,946)	-	-	-	-	267,215	8,946	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net income for the six-month period ended 30 June 2014	-	-	-	-	-	-	-	-	-	-	30,453,228	1,019,526	-	-	-	-	-	-	-	-	-	-	-	-	30,453,228	1,019,526	
Other comprehensive income for the six-month period ended 30 June 2014	-	-	-	-	-	-	-	-	-	-	-	-	(345,738)	(11,575)	17,566,569	588,101	(146,417)	(4,902)	827,609	27,707	-	-	-	-	17,902,023	599,331	
Comprehensive income for the six-month period ended 30 June 2014	-	-	-	-	-	-	-	-	-	-	30,453,228	1,019,526	(345,738)	(11,575)	17,566,569	588,101	(146,417)	(4,902)	827,609	27,707	-	-	-	-	48,355,251	1,618,857	
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance on 30 June 2014	\$119,649,621	\$4,005,679	\$5,982,481	\$200,284	\$88,782,304	\$2,972,290	\$19,784,401	\$662,350	\$82,305,614	\$2,755,461	\$41,226,013	\$1,380,181	\$(873,772)	\$(29,253)	\$37,797,060	\$1,265,386	\$235,889	\$7,897	\$10,835,347	\$362,750	\$(953)	\$(32)	\$-	\$-	\$405,724,005	\$13,582,993	

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Unaudited statements of cash flows

For the six-month periods ended 30 June 2014 and 2013

(Expressed in thousands of dollars)

Items	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Cash flows from operating activities				
Profit before income tax from continuing operations	\$30,610,367	\$1,024,786	\$17,061,421	\$569,473
Adjustments :				
Income and other adjustments with no cash flow effects				
Depreciation	703	24	631	21
Amortizations	1,330	45	-	-
Interest expense	591,262	19,795	608,104	20,297
Interest income	(472,967)	(15,834)	(501,605)	(16,742)
Unrealized foreign exchange loss on bonds payable	-	-	247,346	8,256
Share of gain of associates and joint ventures accounted for using the equity method	(31,009,698)	(1,038,155)	(18,301,914)	(610,878)
Loss on disposal of property and equipment	328	11	133	4
Effects of exchange rate changes	9	-	(3,771)	(126)
Changes in operating assets and liabilities				
Increase in financial assets at fair value through profit or loss	-	-	(55,313)	(1,846)
Decrease in available-for-sale financial assets	-	-	21,436	715
Decrease in accounts receivable	156,920	5,253	146,511	4,890
Decrease (Increase) in other assets	14,114	472	(410)	(13)
Increase in financial liabilities at fair value through profit or loss	-	-	693,884	23,160
Increase in payables	1,214,332	40,654	1,269,108	42,360
Decrease in provisions	(54,922)	(1,839)	(208,356)	(6,954)
(Decrease) Increase in other liabilities	(4,942)	(165)	55	2
Cash generated from operations				
Interest received	12,606	422	61,174	2,042
Interest paid	(20,988)	(703)	(6,536)	(218)
Income taxes (paid) received	(1,075,886)	(36,019)	(1,003,565)	(33,497)
Net cash flows from (used in) operating activities	(37,432)	(1,253)	28,333	946
Cash flows from investing activities				
Acquisition of investments accounted for using the equity method	-	-	(89,010)	(2,971)
Acquisition of property and equipment	(923)	(31)	(1,282)	(43)
Acquisition of intangible assets	(26,596)	(890)	-	-
Decrease (increase) in other assets	459	15	(510)	(17)
Dividends received	5,913,249	197,966	405,535	13,536
Net cash used in investing activities	5,886,189	197,060	314,733	10,505
Cash flows from financing activities				
Increase in commercial paper payable	230,000	7,700	990,000	33,044
Net cash flows from financing activities	230,000	7,700	990,000	33,044
Effects of exchange rate changes on cash and cash equivalents	(9)	-	3,771	126
Increase (decrease) in cash and cash equivalents	6,078,748	203,507	1,336,837	44,621
Cash and cash equivalents at the beginning of periods	3,929,827	131,564	7,141,598	238,371
Cash and cash equivalents at the end of periods	\$10,008,575	\$335,071	\$8,478,435	\$282,992
The components of cash and cash equivalents				
Cash and cash equivalents presented in balance sheet	\$5,099,318	\$170,717	\$7,461,134	\$249,037
Bills sold under agreements to resell satisfied the definition of cash and cash equivalents under IAS No.7	4,909,257	164,354	1,017,301	33,955
Cash and cash equivalents at the end of periods	\$10,008,575	\$335,071	\$8,478,435	\$282,992

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 30 June 2014 and 2013 and as of 31 December and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$345,762,635	\$11,575,582	\$280,220,355	\$9,393,911	\$294,667,214	\$9,835,354	\$362,775,487	\$12,487,969
Receivables	46,718,688	1,564,067	47,362,820	1,587,758	49,735,770	1,660,073	57,308,138	1,972,741
Financial asset at fair value through profit or loss	59,540,586	1,993,324	73,022,597	2,447,958	106,674,745	3,560,572	72,429,213	2,493,260
Available-for-sale financial assets	1,289,665,659	43,175,951	1,272,046,334	42,643,189	1,255,622,501	41,909,963	1,221,734,264	42,056,257
Derivative financial assets for hedging	279,061	9,343	453,713	15,210	763,686	25,490	1,142,094	39,315
Investments accounted for using the equity method	15,167,568	507,786	9,039,485	303,033	8,662,633	289,140	7,144,025	245,922
Investment in debt securities with no active market	1,024,643,591	34,303,435	1,020,141,716	34,198,516	869,124,887	29,009,509	814,453,830	28,036,276
Held-to-maturity financial assets	7,695,549	257,635	-	-	-	-	-	-
Other financial assets	38,200,000	1,278,875	40,900,000	1,371,103	33,400,000	1,114,820	23,500,000	808,950
Investment property	396,268,024	13,266,422	363,191,672	12,175,383	322,836,207	10,775,574	312,615,668	10,761,297
Loans	667,077,157	22,332,680	635,816,106	21,314,653	582,405,239	19,439,427	518,169,293	17,837,153
Reinsurance contract assets	422,696	14,151	327,397	10,975	4,676,801	156,102	9,162,513	315,405
Property and equipment	26,225,096	877,974	35,862,947	1,202,244	44,585,578	1,488,170	44,800,678	1,542,192
Intangible assets	99,793	3,341	102,258	3,428	135,031	4,507	147,816	5,088
Deferred tax assets	13,366,668	447,495	12,221,216	409,696	13,131,390	438,297	16,106,670	554,447
Other assets	16,980,085	568,466	17,185,550	576,116	15,763,141	526,140	15,417,746	530,731
Separate account product assets	440,276,205	14,739,746	375,890,055	12,601,075	351,546,769	11,733,871	329,200,798	11,332,213
Total assets	\$4,388,389,061	\$146,916,273	\$4,183,784,221	\$140,254,248	\$3,953,731,592	\$131,967,009	\$3,806,108,233	\$131,019,216
Liabilities								
Payables	\$25,571,491	\$856,093	\$18,300,775	\$613,502	\$17,044,691	\$568,915	\$37,262,033	\$1,282,686
Financial liability at fair value through profit or loss	2,451,524	82,073	16,148,024	541,335	20,569,762	686,574	2,079,457	71,582
Derivative financial liabilities for hedging	-	-	5,148	173	-	-	-	-
Preferred stock liability	30,000,000	1,004,352	30,000,000	1,005,699	30,000,000	1,001,335	30,000,000	1,032,702
Insurance liability	3,481,486,596	116,554,623	3,375,731,754	113,165,664	3,210,758,337	107,168,169	3,078,719,365	105,980,013
Reserve for insurance contract								
with feature of financial instruments	50,995,770	1,707,257	52,911,209	1,773,758	54,356,733	1,814,310	56,461,371	1,943,593
Foreign exchange volatility reserve	10,903,075	365,018	10,482,181	351,397	7,995,402	266,869	4,270,856	147,017
Liability reserve	3,773,401	126,328	3,919,223	131,385	3,886,105	129,710	3,812,483	131,239
Deferred tax liability	24,325,508	814,379	21,254,376	712,517	19,144,400	638,999	20,217,430	695,953
Other liability	11,555,791	386,869	8,576,689	287,519	7,721,566	257,729	11,301,227	389,027
Separate account product liabilities	440,276,205	14,739,746	375,890,055	12,601,075	351,546,769	11,733,871	329,200,798	11,332,213
Total liabilities	4,081,339,361	136,636,738	3,913,219,434	131,184,024	3,723,023,765	124,266,481	3,573,325,020	123,006,025
Stockholders' equity								
Capital stock	53,065,274	1,776,541	53,065,274	1,778,923	53,065,274	1,771,204	53,065,274	1,826,688
Capital surplus	13,029,142	436,195	13,038,791	437,103	13,009,649	434,234	13,009,649	447,836
Retained earnings	205,638,181	6,884,439	169,837,067	5,693,499	154,510,823	5,157,237	142,238,530	4,896,335
Others	35,317,103	1,182,360	34,623,655	1,160,699	10,122,081	337,853	24,469,760	842,332
Total stockholders' equity	307,049,700	10,279,535	270,564,787	9,070,224	230,707,827	7,700,528	232,783,213	8,013,191
Total liabilities and stockholders' equity	\$4,388,389,061	\$146,916,273	\$4,183,784,221	\$140,254,248	\$3,953,731,592	\$131,967,009	\$3,806,108,233	\$131,019,216

Cathay Life Insurance Co., Ltd.
Condensed Statement of Comprehensive Income
For the three-month periods ended 30 June 2014 and 2013, and for the six-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$190,579,294	\$6,380,291	\$143,562,752	\$4,791,814	\$377,218,915	\$12,628,688	\$305,229,860	\$10,187,913
Operating costs	(172,984,609)	(5,791,249)	(129,471,273)	(4,321,471)	(350,926,978)	(11,748,476)	(283,531,051)	(9,463,653)
Operating expenses	(3,483,659)	(116,627)	(3,290,730)	(109,837)	(6,632,582)	(222,048)	(6,506,556)	(217,175)
Operating profit	14,111,026	472,415	10,800,749	360,506	19,659,355	658,164	15,192,253	507,085
Non-operating income and expenses	330,569	11,067	346,200	11,555	899,559	30,116	504,881	16,852
Profit from continuing operations before income tax	14,441,595	483,482	11,146,949	372,061	20,558,914	688,280	15,697,134	523,937
Income tax expense	(1,465,785)	(49,072)	(3,142,924)	(104,904)	(1,033,554)	(34,602)	(3,424,841)	(114,314)
Net income	12,975,810	434,410	8,004,025	267,157	19,525,360	653,678	12,272,293	409,623
Other comprehensive income (loss)	14,845,833	497,014	(14,118,104)	(471,232)	16,969,202	568,102	(14,347,679)	(478,895)
Total comprehensive income (loss)	\$27,821,643	\$931,424	\$(6,114,079)	\$(204,075)	\$36,494,562	\$1,221,780	\$(2,075,386)	\$(69,272)
Primary earnings per share	\$2.45	\$0.08	\$1.51	\$0.05	\$3.68	\$0.12	\$2.31	\$0.08

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.
Condensed Balance Sheet
As of 30 June 2014 and 2013 and as of 31 December and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$7,321,485	\$245,112	\$6,998,187	\$234,602	\$5,323,328	\$177,681	\$5,025,506	\$172,995
Receivables	3,457,412	115,749	3,540,497	118,689	3,572,577	119,245	3,160,638	108,800
Financial asset at fair value through profit or loss	922,703	30,891	1,172,111	39,293	180,185	6,014	385,460	13,269
Available-for-sale financial assets	7,330,408	245,411	6,391,927	214,279	7,953,139	265,459	7,750,552	266,800
Derivative financial assets for hedging	4,562	153	10,022	336	11,546	385	17,134	590
Investments accounted for using the equity method	1,214,248	40,651	825,721	27,681	498,358	16,634	679,562	23,393
Investment in debt securities with no active market	2,348,262	78,616	1,897,332	63,605	1,606,388	53,618	1,172,459	40,360
Held-to-maturity financial assets	1,356,076	45,399	1,668,787	55,943	2,175,814	72,624	2,512,011	86,472
Loans	414,989	13,893	422,521	14,164	486,196	16,228	522,080	17,972
Reinsurance contract assets	4,999,170	167,364	4,388,987	147,133	4,786,568	159,765	5,118,300	176,189
Property and equipment	177,136	5,930	202,393	6,785	87,625	2,925	101,738	3,502
Intangible assets	9,622	322	10,110	339	14,341	479	21,323	734
Deferred tax assets	73,816	2,471	77,223	2,589	98,443	3,286	80,750	2,780
Other assets	639,018	21,393	655,369	21,970	1,183,266	39,495	780,458	26,866
Total assets	\$30,268,907	\$1,013,355	\$28,261,187	\$947,408	\$27,977,774	\$933,838	\$27,327,971	\$940,722
Liabilities								
Payables	\$2,578,729	\$86,332	\$2,333,838	\$78,238	\$2,263,605	\$75,554	\$2,098,220	\$72,228
Financial liability at fair value through profit or loss	4,876	163	28,352	950	108,987	3,638	-	-
Preferred stock liability	1,000,000	33,478	1,000,000	33,523	1,000,000	33,378	1,000,000	34,423
Insurance liability	20,716,394	693,552	19,159,600	642,293	19,265,081	643,027	19,080,300	656,809
Liability reserve	235,740	7,892	236,272	7,921	248,378	8,290	247,950	8,535
Deferred tax liability	4,689	157	24,404	818	24,223	809	17,949	618
Other liability	301,488	10,094	317,734	10,652	267,692	8,935	366,509	12,617
Total liabilities	24,841,916	831,668	23,100,200	774,395	23,177,966	773,631	22,810,928	785,230
Stockholders' equity								
Capital stock	2,721,879	91,124	2,721,879	91,246	2,721,879	90,850	2,522,950	86,849
Capital surplus	-	-	1,929	65	1,929	64	1,929	66
Retained earnings	2,845,745	95,271	2,532,547	84,899	2,144,921	71,593	1,956,035	67,333
Others	(140,633)	(4,708)	(95,368)	(3,197)	(68,921)	(2,300)	36,129	1,244
Total stockholders' equity	5,426,991	181,687	5,160,987	173,013	4,799,808	160,207	4,517,043	155,492
Total liabilities and stockholders' equity	\$30,268,907	\$1,013,355	\$28,261,187	\$947,408	\$27,977,774	\$933,838	\$27,327,971	\$940,722

Cathay Century Insurance Co., Ltd.
Condensed Statement of Comprehensive Income
For the three-month periods ended 30 June 2014 and 2013, and for the six-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$3,576,872	\$119,748	\$3,264,692	\$108,968	\$6,969,953	\$233,343	\$6,257,973	\$208,877
Operating costs	(2,179,089)	(72,952)	(1,968,163)	(65,693)	(4,288,972)	(143,588)	(3,718,913)	(124,129)
Operating expenses	(1,261,751)	(42,241)	(1,048,170)	(34,986)	(2,313,555)	(77,454)	(2,040,333)	(68,102)
Operating profit	136,032	4,555	248,359	8,289	367,426	12,301	498,727	16,646
Non-operating expenses	(4,681)	(157)	(1,898)	(63)	(9,404)	(315)	(6,216)	(207)
Profit from continuing operations before income tax	131,351	4,398	246,461	8,226	358,022	11,986	492,511	16,439
Income tax expense	(14,873)	(498)	(61,160)	(2,041)	(44,824)	(1,501)	(104,696)	(3,495)
Net income	116,478	3,900	185,301	6,185	313,198	10,485	387,815	12,944
Other comprehensive loss	(54,210)	(1,815)	(124,776)	(4,165)	(45,265)	(1,515)	(105,050)	(3,506)
Total comprehensive income	\$62,268	\$2,085	\$60,525	\$2,020	\$267,933	\$8,970	\$282,765	\$9,438
Primary earnings per share	\$0.43	\$0.01	\$0.68	\$0.02	\$1.15	\$0.04	\$1.42	\$0.05

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Company (China)
Condensed Balance Sheet
As of 30 June 2014 and 2013 and as of 31 December and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$1,503,619	\$50,339	\$1,352,570	\$45,343	\$2,288,063	\$76,371	\$1,792,193	\$61,693
Receivables	322,880	10,810	264,320	8,861	532,181	17,763	399,447	13,750
Financial asset at fair value through profit or loss	700,522	23,452	870,101	29,169	28,917	965	370,475	12,753
Available-for-sale financial assets	3,816,813	127,781	2,442,558	81,883	4,090,601	136,535	4,652,993	160,172
Investment in debt securities with no active market	3,205,228	107,306	3,208,260	107,551	2,545,520	84,964	2,450,786	84,364
Held-to-maturity financial assets	1,742,663	58,342	1,619,138	54,279	-	-	-	-
Loans	30,870	1,034	36,277	1,216	23,659	790	32,347	1,114
Reinsurance contract assets	257,401	8,617	356,060	11,936	63,395	2,116	7,683	265
Property and equipment	113,862	3,812	131,182	4,398	123,204	4,112	128,242	4,415
Intangible assets	71,012	2,377	81,713	2,739	89,977	3,003	94,237	3,244
Other assets	1,834,444	61,414	1,226,970	41,132	1,407,814	46,990	1,195,782	41,163
Separate account product assets	318,420	10,660	362,681	12,158	356,261	11,891	356,448	12,270
Total assets	\$13,917,734	\$465,944	\$11,951,830	\$400,665	\$11,549,592	\$385,500	\$11,480,633	\$395,203
Liabilities								
Short-term debt	\$166,808	\$5,584	\$-	\$-	\$277,269	\$9,254	\$297,268	\$10,233
Payables	753,098	25,213	916,486	30,723	542,805	18,118	714,954	24,611
Reserve for insurance contract								
with feature of financial instruments	4,491,019	150,352	4,685,239	157,065	4,485,850	149,728	4,889,501	168,314
Insurance liability	4,607,405	154,249	4,467,636	149,770	4,138,486	138,134	3,634,056	125,097
Other liability	28,569	956	37,277	1,250	24,779	827	19,354	666
Separate account product liabilities	318,420	10,660	362,681	12,158	356,261	11,891	356,448	12,270
Total liabilities	10,365,319	347,014	10,469,319	350,966	9,825,450	327,952	9,911,581	341,191
Stockholders' equity								
Capital stock	7,067,795	236,619	5,134,155	172,114	5,134,155	171,367	5,134,155	176,735
Retained earnings	(3,899,584)	(130,552)	(3,999,590)	(134,079)	(3,821,008)	(127,537)	(3,916,879)	(134,832)
Others	384,204	12,863	347,946	11,664	410,995	13,718	351,776	12,109
Total stockholders' equity	3,552,415	118,930	1,482,511	49,699	1,724,142	57,548	1,569,052	54,012
Total liabilities and stockholders' equity	\$13,917,734	\$465,944	\$11,951,830	\$400,665	\$11,549,592	\$385,500	\$11,480,633	\$395,203

Cathay Life Insurance Company (China)
Condensed Statement of Comprehensive Income
For the three-month periods ended 30 June 2014 and 2013, and for the six-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$717,736	\$24,029	\$735,056	\$24,535	\$1,479,132	\$49,519	\$1,525,768	\$50,927
Operating costs	(410,382)	(13,739)	(554,443)	(18,506)	(969,482)	(32,457)	(1,061,150)	(35,419)
Operating expenses	(223,063)	(7,468)	(218,488)	(7,293)	(408,619)	(13,680)	(367,126)	(12,254)
Operating profit (loss)	84,291	2,822	(37,875)	(1,264)	101,031	3,382	97,492	3,254
Non-operating expenses	(70)	(2)	(1,563)	(52)	(1,025)	(34)	(1,621)	(54)
Profit (loss) from continuing operations before income tax	84,221	2,820	(39,438)	(1,316)	100,006	3,348	95,871	3,200
Income tax expenses	-	-	-	-	-	-	-	-
Net income (loss)	84,221	2,820	(39,438)	(1,316)	100,006	3,348	95,871	3,200
Other comprehensive income	24,900	833	218	7	36,258	1,214	59,219	1,977
Total comprehensive income (loss)	\$109,121	\$3,653	\$(39,220)	\$(1,309)	\$136,264	\$4,562	\$155,090	\$5,177
Primary earnings per share	Note	Note	Note	Note	Note	Note	Note	Note

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Life Insurance Company (Vietnam)
Condensed Balance Sheet
As of 30 June 2014 and 2013 and as of 31 December and 1 January 2013
(Expressed in thousands of dollars)**

Items	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$293,459	\$9,825	\$289,253	\$9,697	\$1,036,910	\$34,610	\$615,771	\$21,197
Receivables	166,230	5,565	202,001	6,772	142,738	4,764	79,948	2,752
Available-for-sale financial assets	3,064,272	102,587	2,863,231	95,985	2,049,198	68,398	932,943	32,115
Loans	11,562	387	11,456	384	11,612	387	9,305	320
Property and equipment	22,683	759	6,096	204	8,969	299	18,322	631
Intangible assets	85	3	119	4	172	6	5,742	198
Other assets	45,151	1,512	47,203	1,582	47,929	1,600	43,714	1,505
Total assets	\$3,603,442	\$120,638	\$3,419,359	\$114,628	\$3,297,528	\$110,064	\$1,705,745	\$58,718
Liabilities								
Payables	\$38,747	\$1,297	\$11,837	\$397	\$10,970	\$366	\$14,581	\$502
Insurance liability	401,203	13,432	380,516	12,756	334,370	11,161	305,830	10,528
Total liabilities	439,950	14,729	392,353	13,153	345,340	11,527	320,411	11,030
Stockholders' equity								
Capital stock	3,424,930	114,661	3,424,930	114,815	3,424,930	114,317	1,940,080	66,784
Retained earnings	110,796	3,710	38,869	1,303	(38,396)	(1,282)	(81,404)	(2,802)
Others	(372,234)	(12,462)	(436,793)	(14,643)	(434,346)	(14,498)	(473,342)	(16,294)
Total stockholders' equity	3,163,492	105,909	3,027,006	101,475	2,952,188	98,537	1,385,334	47,688
Total liabilities and stockholders' equity	\$3,603,442	\$120,638	\$3,419,359	\$114,628	\$3,297,528	\$110,064	\$1,705,745	\$58,718

**Cathay Life Insurance Company (Vietnam)
Condensed Statement of Comprehensive Income
For the three-month periods ended 30 June 2014 and 2013, and for the six-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)**

Items	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$124,384	\$4,164	\$97,846	\$3,266	\$234,999	\$7,867	\$165,876	\$5,536
Operating costs	(21,899)	(733)	(26,500)	(885)	(47,812)	(1,601)	(38,296)	(1,278)
Operating expenses	(40,634)	(1,360)	(41,295)	(1,378)	(79,880)	(2,674)	(84,056)	(2,806)
Operating profit	61,851	2,071	30,051	1,003	107,307	3,592	43,524	1,452
Non-operating income and expenses	120	4	(476)	(16)	(2,348)	(78)	(516)	(17)
Profit from continuing operations before income tax	61,971	2,075	29,575	987	104,959	3,514	43,008	1,435
Income tax expense	(13,598)	(456)	-	-	(33,033)	(1,106)	-	-
Net income	48,373	1,619	29,575	987	71,926	2,408	43,008	1,435
Other comprehensive (loss) income	(54,610)	(1,828)	13,911	464	64,559	2,161	38,996	1,302
Total comprehensive (loss) income	\$(6,237)	\$(209)	\$43,486	\$1,451	\$136,485	\$4,569	\$82,004	\$2,737
Primary earnings per share	Note	Note	Note	Note	Note	Note	Note	Note

Note: Cathay Life Insurance Company (Vietnam) is a limited company, there is no information about earning per share.

English Translation of Financial Statements Originally Issued in Chinese

Lin Yuan (Shanghai) Real Estate Co., Ltd.
Condensed Balance Sheet
As of 30 June 2014 and 2013 and as of 31 December and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Current assets	\$135,806	\$4,547	\$204,339	\$6,850	\$400,009	\$13,351	\$411,418	\$14,163
Investment property	6,490,165	217,280	3,011,107	100,942	-	-	-	-
Property and equipment	642,989	21,526	669,348	22,439	3,392,156	113,223	3,276,008	112,771
Total assets	\$7,268,960	\$243,353	\$3,884,794	\$130,231	\$3,792,165	\$126,574	\$3,687,426	\$126,934
Liabilities								
Current liability	\$1,161	\$39	\$5,559	\$186	\$3,445	\$115	\$5,377	\$185
Deferred tax liability	69,230	2,318	27,256	914	-	-	-	-
Other liability	36,535	1,223	13,588	456	-	-	-	-
Total liabilities	106,926	3,580	46,403	1,556	3,445	115	5,377	185
Stockholders' equity								
Capital stock	7,223,435	241,829	3,773,774	126,509	3,773,774	125,960	3,773,774	129,906
Retained earnings	(64,650)	(2,164)	(112,323)	(3,765)	(132,529)	(4,423)	(57,489)	(1,979)
Others	3,249	108	176,940	5,932	147,475	4,922	(34,236)	(1,178)
Total stockholders' equity	7,162,034	239,773	3,838,391	128,676	3,788,720	126,459	3,682,049	126,749
Total liabilities and stockholders' equity	\$7,268,960	\$243,353	\$3,884,794	\$130,232	\$3,792,165	\$126,574	\$3,687,426	\$126,934

Lin Yuan (Shanghai) Real Estate Co., Ltd.
Condensed Statement of Comprehensive Income
For the three-month periods ended 30 September 2013, and for the nine-month periods ended 30 September 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$148,848	\$4,983	\$-	\$-	\$168,248	\$5,633	\$-	\$-
Operating costs	-	-	-	-	-	-	-	-
Operating expenses	(28,525)	(955)	(41,193)	(1,375)	(45,730)	(1,531)	(67,853)	(2,265)
Operating income (loss)	120,323	4,028	(41,193)	(1,375)	122,518	4,102	(67,853)	(2,265)
Non-operating income and expenses	1,566	52	(6,440)	(215)	(31,298)	(1,048)	(7,187)	(240)
Profit (loss) from continuing operations before income tax	121,889	4,081	(47,633)	(1,590)	91,220	3,054	(75,040)	(2,505)
Income tax expense	(38,712)	(1,296)	-	-	(43,548)	(1,458)	-	-
Net income (loss)	83,177	2,785	(47,633)	(1,590)	47,672	1,596	(75,040)	(2,505)
Other comprehensive (loss) income	(9,133)	(306)	74,942	2,502	(173,691)	(5,815)	181,711	6,065
Total comprehensive (loss) income	\$74,044	\$2,479	\$27,309	\$912	\$(126,019)	\$(4,219)	\$106,671	\$3,560
Primary earnings per share	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1

Note 1 : Lin Yuan (Shanghai) Real Estate Co., Ltd. is a limited company, there is no information about earnings per share.

Note 2 : Lin Yuan (Shanghai) Real Estate Co., Ltd. was incorporated on 15 August 2012 and there was no operating activities during the period of 15 August 2012 through 30 September 2012, thus there was no operating information.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Insurance Co., Ltd (China)
Condensed Balance Sheet
As of 30 June 2014 and 2013 and as of 31 December and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$844,978	\$28,288	\$1,101,188	\$36,916	\$1,387,789	\$46,321	\$405,943	\$13,974
Receivables	187,309	6,271	141,935	4,758	197,021	6,576	141,039	4,855
Financial asset at fair value through profit or loss	228,043	7,634	139,915	4,691	42,268	1,411	51,813	1,784
Available-for-sale financial assets	1,018,987	34,114	842,974	28,259	765,141	25,539	653,940	22,511
Investment in debt securities with no active market	489,824	16,399	74,208	2,488	73,612	2,457	70,112	2,413
Reinsurance contract assets	474,622	15,890	493,754	16,552	408,869	13,647	308,462	10,618
Property and equipment	67,089	2,246	74,974	2,513	57,777	1,928	44,380	1,528
Intangible assets	24,900	834	18,176	609	2,534	86	6,998	241
Other assets	1,039,450	34,799	661,007	22,159	438,353	14,631	403,365	13,885
Total assets	\$4,375,202	\$146,475	\$3,548,131	\$118,945	\$3,373,364	\$112,596	\$2,086,052	\$71,809
Liabilities								
Payables	\$194,577	\$6,514	\$268,756	\$9,010	\$1,152,244	\$38,460	\$119,446	\$4,112
Insurance liability	2,441,128	81,725	2,465,042	82,636	1,840,005	61,415	1,292,161	44,480
Other liability	95,923	3,212	114,110	3,825	106,895	3,568	73,865	2,543
Total liabilities	2,731,628	91,451	2,847,908	95,471	3,099,144	103,443	1,485,472	51,135
Stockholders' equity								
Capital stock	3,707,999	124,138	2,717,129	91,087	1,745,942	58,276	1,745,942	60,101
Retained earnings	(2,179,674)	(72,972)	(2,158,102)	(72,347)	(1,598,906)	(53,368)	(1,265,328)	(43,557)
Others	115,249	3,858	141,196	4,734	127,184	4,245	119,966	4,130
Total stockholders' equity	1,643,574	55,024	700,223	23,474	274,220	9,153	600,580	20,674
Total liabilities and stockholders' equity	\$4,375,202	\$146,475	\$3,548,131	\$118,945	\$3,373,364	\$112,596	\$2,086,052	\$71,809

Cathay Insurance Co., Ltd (China)
Condensed Statement of Comprehensive Income
For the three-month periods ended 30 June 2014 and 2013, and for the six-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$628,174	\$21,030	\$404,631	\$13,506	\$1,265,604	\$42,370	\$704,004	\$23,498
Operating costs	(425,542)	(14,246)	(403,915)	(13,482)	(829,914)	(27,784)	(637,288)	(21,271)
Operating expenses	(262,545)	(8,790)	(244,740)	(8,169)	(498,577)	(16,692)	(417,347)	(13,930)
Operating loss	(59,913)	(2,006)	(244,024)	(8,145)	(62,887)	(2,106)	(350,631)	(11,703)
Non-operating income and loss	15,140	507	3,971	133	41,315	1,383	17,053	569
Loss from continuing operations before income tax	(44,773)	(1,499)	(240,053)	(8,012)	(21,572)	(723)	(333,578)	(11,134)
Income tax expenses	-	-	-	-	-	-	-	-
Net loss	(44,773)	(1,499)	(240,053)	(8,012)	(21,572)	(723)	(333,578)	(11,134)
Other comprehensive income (loss)	(18,315)	(613)	(12,537)	(419)	(25,947)	(869)	7,218	241
Total comprehensive (loss) income	\$(63,088)	\$(2,112)	\$(252,590)	\$(8,431)	\$(47,519)	\$(1,592)	\$(326,360)	\$(10,893)
Primary earnings per share	Note	Note	Note	Note	Note	Note	Note	Note

Note : Cathay Century (China) is a limited company, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Insurance Co., Ltd (Vietnam)
Condensed Balance Sheet
As of 30 June 2014 and 2013 and as of 31 December and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$27,610	\$924	\$95,397	\$3,198	\$237,861	\$7,939	\$245,601	\$8,454
Receivables	47,204	1,580	43,082	1,444	35,192	1,175	34,975	1,204
Investment in debt securities with no active market	136,000	4,553	82,200	2,756	105,446	3,520	80,700	2,778
Held-to-maturity financial assets	285,032	9,543	287,150	9,626	-	-	-	-
Reinsurance contract assets	505,868	16,936	174,485	5,849	58,759	1,961	42,774	1,473
Property and equipment	19,592	656	25,998	872	33,081	1,104	38,271	1,317
Intangible assets	1,643	55	745	25	5,085	170	7,434	256
Other assets	42,446	1,421	24,860	833	16,757	559	16,766	577
Total assets	\$1,065,395	\$35,668	\$733,917	\$24,603	\$492,181	\$16,428	\$466,521	\$16,059
Liabilities								
Payables	\$47,117	\$1,578	\$28,970	\$971	\$31,253	\$1,043	\$19,796	\$681
Liability reserve	624,473	20,906	228,948	7,675	99,454	3,320	68,138	2,346
Deferred tax liability	1	-	1	-	363	12	356	12
Other liability	1,344	45	1,218	41	771	26	449	16
Total liabilities	672,935	22,529	259,137	8,687	131,841	4,401	88,739	3,055
Stockholders' equity								
Capital stock	645,585	21,613	645,585	21,642	517,502	17,273	517,502	17,814
Retained earnings	(147,773)	(4,947)	(67,778)	(2,272)	(59,039)	(1,971)	(34,576)	(1,190)
Others	(105,352)	(3,527)	(103,027)	(3,454)	(98,123)	(3,275)	(105,144)	(3,620)
Total stockholders' equity	392,460	13,139	474,780	15,916	360,340	12,027	377,782	13,004
Total liabilities and stockholders' equity	\$1,065,395	\$35,668	\$733,917	\$24,603	\$492,181	\$16,428	\$466,521	\$16,059

Cathay Insurance Co., Ltd (Vietnam)
Condensed Statement of Comprehensive Income
For the three-month periods ended 30 June 2014 and 2013, and for the six-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$28,225	\$945	\$21,700	\$724	\$56,680	\$1,898	\$39,237	\$1,310
Operating costs	(86,858)	(2,908)	(17,507)	(584)	(97,319)	(3,258)	(23,076)	(770)
Operating expenses	(20,224)	(677)	(21,208)	(708)	(39,293)	(1,316)	(40,534)	(1,353)
Operating loss	(78,857)	(2,640)	(17,015)	(568)	(79,932)	(2,676)	(24,373)	(813)
Non-operating income and expenses	(90)	(3)	(93)	(3)	(63)	(2)	(89)	(3)
Loss from continuing operations before income tax	(78,947)	(2,643)	(17,108)	(571)	(79,995)	(2,678)	(24,462)	(816)
Income tax expenses	-	-	-	-	-	-	-	-
Net loss	(78,947)	(2,643)	(17,108)	(571)	(79,995)	(2,678)	(24,462)	(816)
Other comprehensive (loss) income	(10,956)	(367)	(1,345)	(45)	(2,325)	(78)	7,021	234
Total comprehensive (loss) income	\$(89,903)	\$(3,010)	\$(18,453)	\$(616)	\$(82,320)	\$(2,756)	\$(17,441)	\$(582)
Primary earnings per share	Note	Note	Note	Note	Note	Note	Note	Note

Note : Cathay Century (Vietnam) is a limited company, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank Co., Ltd.
Condensed Balance Sheet
As of 30 June 2014 and 2013 and as of 31 December and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$109,399,998	\$3,662,538	\$66,775,540	\$2,238,536	\$44,565,276	\$1,487,493	\$33,496,114	\$1,153,050
Due from the Central Bank and call loans to banks	124,634,758	4,172,573	140,479,847	4,709,348	83,210,460	2,777,385	98,844,688	3,402,571
Financial assets at fair value through profit or loss	130,142,283	4,356,956	162,997,211	5,464,204	76,522,933	2,554,170	67,796,967	2,333,803
Derivative financial assets for hedging	637,445	21,341	837,179	28,065	1,017,819	33,973	1,203,138	41,416
Securities purchased under agreements to resell	19,216,895	643,351	7,645,763	256,311	5,492,597	183,331	-	-
Receivables-net	83,455,469	2,793,956	120,044,971	4,024,304	84,437,535	2,818,342	50,728,353	1,746,243
Assets held for sale -net	-	-	81,950	2,747	-	-	-	-
Discounts and loans-net	1,091,318,417	36,535,601	1,013,723,116	33,983,343	981,314,522	32,754,156	986,516,412	33,959,257
Available-for-sale financial assets	64,515,005	2,159,860	67,046,565	2,247,622	58,141,694	1,940,644	63,186,407	2,175,091
Held-to-maturity financial assets	50,043,774	1,675,386	50,711,678	1,700,023	48,795,146	1,628,677	20,542,870	707,156
Investments accounted for using the equity method	6,995,151	234,186	5,836,126	195,646	4,415,315	147,374	5,038,973	173,459
Other financial assets-net	4,223	141	22,154	743	656,262	21,905	13,619	469
Investment in debt securities with no active market-net	331,806,014	11,108,337	280,272,013	9,395,642	442,136,122	14,757,547	424,043,663	14,597,028
Property and equipment-net	22,206,288	743,431	22,240,641	745,580	22,062,224	736,389	21,896,653	753,757
Investment property-net	4,371,164	146,340	4,479,508	150,168	4,491,254	149,908	4,439,924	152,837
Intangible assets-net	7,039,438	235,669	7,045,413	236,185	7,110,022	237,317	7,164,320	246,620
Deferred tax assets	1,215,822	40,704	1,456,529	48,828	1,648,909	55,037	1,550,746	53,382
Other assets-net	11,248,064	376,567	7,143,444	239,472	6,785,333	226,480	4,542,369	156,364
Total assets	\$2,058,250,208	\$68,906,937	\$1,958,839,648	\$65,666,767	\$1,872,803,423	\$62,510,128	\$1,791,005,216	\$61,652,503
Liabilities								
Due to the Central Bank and call loans from banks	\$61,841,533	\$2,070,356	\$50,630,112	\$1,697,288	\$40,472,413	\$1,350,882	\$51,891,103	\$1,786,268
Funds borrowed from the Central Bank and other banks	1,495,750	50,075	1,497,500	50,201	1,506,000	50,267	1,456,800	50,148
Financial liabilities at fair value through profit or loss	13,350,569	446,956	11,271,187	377,847	7,178,537	239,604	4,967,738	171,006
Securities sold under agreements to repurchase	62,862,503	2,104,536	58,681,600	1,967,201	56,427,177	1,883,417	20,369,249	701,179
Payables	14,804,764	495,640	14,795,810	496,004	25,348,475	846,077	21,225,349	730,649
Deposits and remittances	1,627,929,567	54,500,488	1,596,302,557	53,513,328	1,550,595,088	51,755,510	1,520,735,366	52,348,894
Financial debentures payable	67,214,791	2,250,244	52,417,213	1,757,198	52,649,271	1,757,319	42,518,631	1,463,636
Other financial liabilities	65,070,447	2,178,455	36,145,158	1,211,705	20,578,371	686,862	17,426,191	599,869
Liability reserve	2,109,444	70,621	2,035,564	68,239	2,009,171	67,062	2,009,384	69,170
Deferred tax liability	782,308	26,190	618,631	20,739	559,959	18,690	634,704	21,849
Other liability	5,324,199	178,246	4,719,433	158,211	4,220,427	140,869	4,114,007	141,618
Total liabilities	1,922,785,875	64,371,807	1,829,114,765	61,317,961	1,761,544,889	58,796,559	1,687,348,522	58,084,286
Stockholders' equity								
Capital stock	67,112,762	2,246,828	64,668,494	2,167,901	61,424,714	2,050,224	52,277,026	1,799,554
Capital surplus	23,969,412	802,458	23,971,498	803,604	15,213,292	507,787	15,213,292	523,693
Retained earnings	42,338,924	1,417,440	39,956,742	1,339,482	33,376,410	1,114,032	34,763,003	1,196,661
Others	2,043,235	68,404	1,128,149	37,819	1,244,118	41,526	1,403,373	48,309
Total stockholders' equity	135,464,333	4,535,130	129,724,883	4,348,806	111,258,534	3,713,569	103,656,694	3,568,217
Total liabilities and stockholders' equity	\$2,058,250,208	\$68,906,937	\$1,958,839,648	\$65,666,767	\$1,872,803,423	\$62,510,128	\$1,791,005,216	\$61,652,503

Cathay United Bank Co., Ltd.
Condensed Statement of Comprehensive Income
For the three-month periods ended 30 June 2014 and 2013, and for the six-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest income	\$9,569,470	\$320,371	\$8,275,064	\$276,204	\$18,820,299	\$630,074	\$16,100,794	\$537,410
Interest expenses	(3,447,461)	(115,416)	(3,017,107)	(100,704)	(6,739,487)	(225,627)	(5,821,314)	(194,303)
Operating profit	6,122,009	204,955	5,257,957	175,500	12,080,812	404,447	10,279,480	343,107
Non-interest income	5,170,422	173,097	4,041,519	134,897	10,203,490	341,596	7,506,988	250,567
Net income	11,292,431	378,052	9,299,476	310,397	22,284,302	746,043	17,786,468	593,674
Bad debt expense and reserve for loss on guarantees	(265,064)	(8,874)	(82,696)	(2,760)	(71,400)	(2,390)	(37,603)	(1,255)
Operating expenses	(5,080,896)	(170,100)	(4,488,120)	(149,804)	(10,139,959)	(339,470)	(8,919,364)	(297,709)
Profit from continuing operations before income tax	5,946,471	199,078	4,728,660	157,833	12,072,943	404,183	8,829,501	294,710
Income tax expenses	(808,800)	(27,077)	(539,092)	(17,994)	(1,543,200)	(51,664)	(1,068,406)	(35,661)
Net income	5,137,671	172,001	4,189,568	139,839	10,529,743	352,519	7,761,095	259,049
Other comprehensive income (loss)	362,023	12,120	(219,717)	(7,334)	915,086	30,636	(159,255)	(5,316)
Total comprehensive income	\$5,499,694	\$184,121	\$3,969,851	\$132,505	\$11,444,829	\$383,155	\$7,601,840	\$253,733
Primary earnings per share	\$0.74	\$0.02	\$0.66	\$0.02	\$1.57	\$0.05	\$1.22	\$0.04

English Translation of Financial Statements Originally Issued in Chinese

Indovina Bank Limited
Condensed Balance Sheet
As of 30 June 2014 and 2013 and as of 31 December and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$741,949	\$24,839	\$571,307	\$19,152	\$485,310	\$16,199	\$816,727	\$28,114
Due from the Central Bank and call loans to banks	13,367,268	447,515	12,450,373	417,378	13,536,225	451,810	12,698,859	437,138
Financial assets at fair value through profit or loss	67,770	2,269	62,346	2,090	583,279	19,469	140,920	4,851
Available-for-sale financial assets	725,368	24,284	861,559	28,882	980,622	32,731	768,190	26,444
Receivables-net	676,787	22,658	793,781	26,610	268,472	8,961	369,539	12,721
Discounts and loans-net	17,006,599	569,354	16,301,693	546,486	15,462,716	516,112	15,808,657	544,188
Held-to-maturity financial assets	1,619,234	54,209	683,400	22,910	1,152,624	38,472	1,126,103	38,764
Property and equipment-net	418,611	14,014	403,407	13,524	311,511	10,397	281,343	9,685
Intangible assets-net	7,142	239	5,216	175	8,163	272	10,001	344
Deferred tax assets-net	-	-	171	6	14,557	486	15,769	543
Other assets-net	425,434	14,243	416,020	13,946	436,570	14,572	353,101	12,155
Total assets	\$35,056,162	\$1,173,624	\$32,549,273	\$1,091,159	\$33,240,049	\$1,109,481	\$32,389,209	\$1,114,947
Liabilities								
Due to the Central Bank and call loans from banks	\$7,298,711	\$244,349	\$7,570,029	\$253,772	\$6,082,885	\$203,034	\$8,116,896	\$279,411
Payables	781,118	26,151	427,360	14,326	1,325,116	44,230	1,295,180	44,584
Current income tax liabilities	95,154	3,186	43,062	1,444	67,808	2,263	26,548	914
Deposits and remittances	20,005,562	669,754	17,453,353	585,094	19,872,473	663,300	17,219,063	592,739
Liability reserve	9,569	320	-	-	-	-	-	-
Deferred tax liability	35,501	1,188	58,961	1,977	37,749	1,260	19,949	687
Other liability	84,668	2,835	118,528	3,973	72,454	2,418	75,672	2,605
Total liabilities	28,310,283	947,783	25,671,293	860,586	27,458,485	916,505	26,753,308	920,940
Stockholders' equity								
Capital stock	6,094,911	204,048	6,094,911	204,322	5,264,543	175,719	5,269,493	181,394
Retained earnings	1,007,811	33,740	1,141,007	38,250	869,654	29,027	932,848	32,112
Others	(356,843)	(11,947)	(357,938)	(11,999)	(352,633)	(11,770)	(566,440)	(19,499)
Total stockholders' equity	6,745,879	225,841	6,877,980	230,573	5,781,564	192,976	5,635,901	194,007
Total liabilities and stockholders' equity	\$35,056,162	\$1,173,624	\$32,549,273	\$1,091,159	\$33,240,049	\$1,109,481	\$32,389,209	\$1,114,947

Indovina Bank Limited
Condensed Statement of Comprehensive Income
For the three-month periods ended 30 June 2014 and 2013, and for the six-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest income	\$461,987	\$15,467	\$391,715	\$13,074	\$963,823	\$32,267	\$1,112,779	\$37,142
Interest expenses	(232,871)	(7,797)	(52,916)	(1,766)	(505,227)	(16,914)	(617,359)	(20,607)
Net interest income	229,116	7,670	338,799	11,308	458,596	15,353	495,420	16,535
Non-interest (loss) income	(36,038)	(1,206)	(78,038)	(2,605)	55,034	1,842	14,523	485
Net income	193,078	6,464	260,761	8,703	513,630	17,195	509,943	17,020
Bad debt expense and reserve for loss on guarantees	29,034	972	(7,392)	(247)	(18,808)	(630)	71,699	2,393
Operating expenses	(127,598)	(4,272)	(116,526)	(3,889)	(239,682)	(8,024)	(214,317)	(7,153)
Profit from continuing operations before income tax	94,514	3,164	136,843	4,567	255,140	8,541	367,325	12,260
Income tax expenses	(17,751)	(594)	(35,386)	(1,181)	(57,907)	(1,938)	(129,951)	(4,337)
Net income	76,763	2,570	101,457	3,386	197,233	6,603	237,374	7,923
Other comprehensive (loss) income	(127,738)	(4,277)	48,837	1,630	1,095	37	213,807	7,136
Total comprehensive (loss) income	\$(50,975)	\$(1,707)	\$150,294	\$5,016	\$198,328	\$6,640	\$451,181	\$15,059
Primary earnings per share	Note	Note	Note	Note	Note	Note	Note	Note

Note : Indovina Bank is a subsidiary of foreign bank, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

Singapore Banking Corporation Limited
Condensed Balance Sheet
As of 30 June 2014 and as of 31 December and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.6.30		2013.12.31		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets						
Cash and cash equivalents	\$1,101,821	\$36,887	\$909,957	\$30,505	\$678,535	\$23,357
Due from the Central Bank and call loans to banks	752,840	25,204	392,546	13,159	519,496	17,883
Available-for-sale financial assets	765	26	766	26	-	-
Receivables-net	144,430	4,835	59,212	1,985	52,289	1,800
Discounts and loans-net	1,673,308	56,020	1,080,512	36,222	858,125	29,540
Other financial assets-net	-	-	-	-	728	25
Property and equipment-net	142,505	4,771	136,791	4,586	136,718	4,706
Intangible assets-net	11,499	385	7,647	256	5,971	206
Other assets-net	227,621	7,620	121,802	4,083	27,248	938
Total assets	\$4,054,789	\$135,748	\$2,709,233	\$90,822	\$2,279,110	\$78,455
Liabilities						
Due to the Central Bank and call loans from banks	\$147	\$5	\$179,847	\$6,029	\$143	\$5
Payables	56,554	1,893	52,664	1,765	38,488	1,325
Current income tax liabilities	1,068	36	1,175	39	-	-
Deposits and remittances	2,381,436	79,727	2,104,552	70,552	1,819,637	62,638
Other liability	1,046	35	607	20	5,183	178
Total liabilities	2,440,251	81,696	2,338,845	78,405	1,863,451	64,146
Stockholders' equity						
Capital stock	1,783,202	59,699	494,836	16,589	495,312	17,050
Retained earnings	(175,974)	(5,892)	(133,869)	(4,488)	(79,552)	(2,738)
Others	7,310	245	9,421	316	(101)	(3)
Total stockholders' equity	1,614,538	54,052	370,388	12,417	415,659	14,309
Total liabilities and stockholders' equity	\$4,054,789	\$135,748	\$2,709,233	\$90,822	\$2,279,110	\$78,455

Note : According to the provision of Financial Supervisory Commission, balance sheet of SBC as of 30 June 2013 is not consolidated.

Singapore Banking Corporation Limited
Condensed Statement of Comprehensive Income
For the three-month periods ended 30 June 2014, and for the six-month periods ended 30 June 2014
(Expressed in thousands of dollars, except earnings per share)

Items	2014.4.1~2014.6.30		2014.1.1~2014.6.30	
	NT\$	US\$	NT\$	US\$
Interest income	\$32,604	\$1,092	\$58,864	\$1,971
Interest expenses	(9,972)	(334)	(19,928)	(667)
Net interest income (loss)	22,632	758	38,936	1,304
Non-interest income	11,070	371	24,439	818
Net income (loss)	33,702	1,129	63,375	2,122
Bad debt expense and reserve for loss on guarantees	(26,943)	(902)	(37,364)	(1,251)
Operating expenses	(35,534)	(1,190)	(67,081)	(2,246)
(Loss) profit from continuing operations before income tax	(28,775)	(963)	(41,070)	(1,375)
Income tax expense	(1,034)	(35)	(1,034)	(34)
Net (loss) income	(29,809)	(998)	(42,104)	(1,409)
Other comprehensive loss	(9,000)	(301)	(2,111)	(71)
Total comprehensive loss	\$(38,809)	\$(1,299)	\$(44,215)	\$(1,480)
Primary earnings per share	\$(1.20)	\$(0.04)	\$(1.81)	\$(0.06)

Note1 : SBC Bank is a subsidiary of foreign bank, there is no information about earnings per share.

Note2 : According to the provision of Financial Supervisory Commission, income statement of SBC for the three-month and six-month periods ended 30 June 2013 are not consolidated.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Corporation
Condensed Balance Sheet
As of 30 June 2014 and 2013 and as of 31 December and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Current assets	\$18,225,280	\$610,153	\$15,409,801	\$516,587	\$11,819,390	\$394,506	\$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	994,226	33,285	988,147	33,126	784,071	26,171	783,254	26,962
Property and equipment	170,535	5,709	163,055	5,466	114,241	3,813	113,495	3,907
Intangible assets	55,673	1,864	27,861	934	18,523	618	12,128	418
Deferred tax assets	5,377	180	5,774	194	5,086	170	313,808	10,802
Other non-current assets	493,150	16,510	473,524	15,874	479,852	16,016	445,340	15,330
Total assets	\$19,944,259	\$667,702	\$17,068,180	\$572,182	\$13,221,181	\$441,295	\$16,034,814	\$551,973
Liabilities								
Current liability	\$14,622,647	\$489,543	\$12,000,481	\$402,296	\$8,440,651	\$281,731	\$11,061,728	\$380,782
Deferred tax liability	9,102	305	253	8	6,960	232	317,912	10,944
Other non-current liability	9,633	322	8,353	280	8,021	268	7,823	269
Total liabilities	14,641,382	490,170	12,009,087	402,584	8,455,632	282,231	11,387,463	391,995
Stockholders' equity								
Capital stock	4,200,000	140,609	3,982,027	133,491	3,982,028	132,911	3,866,660	133,104
Capital surplus	291,766	9,768	291,766	9,781	291,766	9,739	291,766	10,044
Retained earnings	593,030	19,854	587,576	19,698	468,816	15,648	479,456	16,504
Others	218,081	7,301	197,724	6,628	22,939	766	9,469	326
Total stockholders' equity	5,302,877	177,532	5,059,093	169,598	4,765,549	159,064	4,647,351	159,978
Total liabilities and stockholders' equity	\$19,944,259	\$667,702	\$17,068,180	\$572,182	\$13,221,181	\$441,295	\$16,034,814	\$551,973

Cathay Securities Corporation
Condensed Statement of Comprehensive Income
For the three-month periods ended 30 June 2014 and 2013, and for the six-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Revenues	\$437,010	\$14,630	\$285,506	\$9,530	\$906,633	\$30,353	\$608,749	\$20,319
Service fee expenses	(17,744)	(594)	(10,331)	(345)	(34,236)	(1,146)	(19,862)	(663)
Employee benefit expenses	(161,248)	(5,398)	(129,277)	(4,315)	(321,986)	(10,780)	(246,658)	(8,233)
Share of the profit of associates and joint ventures accounted for using the equity method	15,265	511	15,244	509	18,575	622	21,591	721
Operating expenses	(173,515)	(5,809)	(137,756)	(4,598)	(325,927)	(10,912)	(264,955)	(8,844)
Non-operating income and expenses	3,021	101	4,173	139	9,019	302	11,965	399
Profit from continuing operations before income tax	102,789	3,441	27,559	920	252,078	8,439	110,830	3,699
Income tax (expenses) profit	(12,249)	(410)	1,311	44	(28,651)	(959)	(6,102)	(204)
Net income	90,540	3,031	28,870	964	223,427	7,480	104,728	3,495
Other comprehensive income	5,342	179	19,161	639	20,357	682	13,470	450
Total comprehensive income	\$95,882	\$3,210	\$48,031	\$1,603	\$243,784	\$8,162	\$118,198	\$3,945
Primary earnings per share	\$0.20	\$0.01	\$0.07	\$-	\$0.53	\$0.02	\$0.25	\$0.01

English Translation of Financial Statements Originally Issued in Chinese

Cathay Venture Inc.
Condensed Balance Sheet
As of 30 June 2014 and 2013 and as of 31 December and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Current assets	\$733,172	\$24,545	\$398,984	\$13,375	\$243,643	\$8,132	\$663,149	\$22,828
Available-for-sale financial assets	2,149,123	71,949	2,370,304	79,461	1,589,321	53,048	1,207,167	41,555
Investments accounted for using the equity method	139,872	4,683	64,028	2,146	252,469	8,427	228,616	7,870
Property and equipment	348	12	479	16	392	13	306	10
Deferred tax assets	13,797	462	13,325	447	24,470	817	18,881	650
Other non-current assets	837	28	837	28	837	28	680	23
Total assets	\$3,037,149	\$101,679	\$2,847,957	\$95,473	\$2,111,132	\$70,465	\$2,118,799	\$72,936
Liabilities								
Current liability	\$1,470	\$49	\$5,331	\$179	\$28,801	\$961	\$4,874	\$168
Deferred tax liability	2,636	88	4,704	158	-	-	3,216	111
Other non-current liability	1,656	56	1,207	40	849	29	478	16
Total liabilities	5,762	193	11,242	377	29,650	990	8,568	295
Stockholders' equity								
Capital stock	2,174,236	72,790	2,000,000	67,047	2,000,000	66,756	2,000,000	68,847
Retained earnings	274,669	9,195	242,128	8,117	69,675	2,325	205,204	7,064
Others	582,482	19,501	594,587	19,932	11,807	394	(94,973)	(3,270)
Total stockholders' equity	3,031,387	101,486	2,836,715	95,096	2,081,482	69,475	2,110,231	72,641
Total liabilities and stockholders' equity	\$3,037,149	\$101,679	\$2,847,957	\$95,473	\$2,111,132	\$70,465	\$2,118,799	\$72,936

Cathay Venture Inc.
Condensed Statement of Comprehensive Income
For the three-month periods ended 30 June 2014 and 2013, and for the six-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$117,918	\$3,948	\$18,818	\$628	\$219,212	\$7,339	\$35,199	\$1,175
Operating cost	(3,011)	(101)	(3,960)	(132)	(8,343)	(279)	(7,652)	(255)
Operating expenses	(2,460)	(82)	(2,619)	(88)	(6,287)	(211)	(4,389)	(147)
Non-operating income and expenses	583	19	513	17	2,701	90	513	17
Profit from continuing operations before income tax	113,030	3,784	12,752	425	207,283	6,939	23,671	790
Income tax expenses	(202)	(7)	(1,391)	(46)	(506)	(17)	(2,529)	(84)
Net income	112,828	3,777	11,361	379	206,777	6,922	21,142	706
Other comprehensive income (loss)	85,804	2,873	(14,806)	(494)	(12,105)	(405)	106,780	3,564
Total comprehensive income (loss)	\$198,632	\$6,650	\$(3,445)	\$(115)	\$194,672	\$6,517	\$127,922	\$4,270
Primary earnings per share	\$0.52	\$0.02	\$0.05	\$-	\$0.95	\$0.03	\$0.10	\$-

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Investment Trust Co., Ltd.
Condensed Balance Sheet
As of 30 June 2014 and 2013 and as of 31 December and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Current assets	\$1,609,229	\$53,874	\$1,681,323	\$56,363	\$1,589,484	\$53,053	\$1,677,761	\$57,754
Available-for-sale financial assets	128,458	4,301	143,232	4,802	143,972	4,805	128,032	4,407
Held-to-maturity financial assets	-	-	-	-	200,000	6,676	200,000	6,885
Investment in debt securities with no active market	2,500	84	2,500	84	5,000	167	11,250	387
Investments accounted for using the equity method	276,318	9,251	298,036	9,991	-	-	-	-
Property and equipment	14,881	498	18,466	619	16,262	543	19,952	687
Intangible assets	12,139	406	15,191	509	8,618	288	10,475	361
Deferred tax assets	11,002	368	9,614	322	9,512	317	9,406	324
Other non-current assets	276,411	9,254	277,676	9,309	254,391	8,491	244,064	8,401
Total assets	\$2,330,938	\$78,036	\$2,446,038	\$81,999	\$2,227,239	\$74,340	\$2,300,940	\$79,206
Liabilities								
Current liability	\$183,014	\$6,127	\$261,437	\$8,764	\$178,591	\$5,961	\$183,517	\$6,317
Other non-current liability	145,239	4,862	152,978	5,128	116,388	3,885	121,447	4,181
Total liabilities	328,253	10,989	414,415	13,892	294,979	9,846	304,964	10,498
Stockholders' equity								
Capital stock	1,500,000	50,218	1,500,000	50,285	1,500,000	50,067	1,500,000	51,635
Capital surplus	13,908	466	13,908	466	13,908	464	13,908	479
Retained earnings	485,234	16,245	500,730	16,786	413,591	13,804	480,079	16,526
Others	3,543	118	16,985	570	4,761	159	1,989	68
Total stockholders' equity	2,002,685	67,047	2,031,623	68,107	1,932,260	64,494	1,995,976	68,708
Total liabilities and stockholders' equity	\$2,330,938	\$78,036	\$2,446,038	\$81,999	\$2,227,239	\$74,340	\$2,300,940	\$79,206

Cathay Securities Investment Trust Co., Ltd.
Condensed Statement of Comprehensive Income
For the three-month periods ended 30 June 2014 and 2013, and for the six-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$325,934	\$10,912	\$313,864	\$10,476	\$650,296	\$21,771	\$628,376	\$20,974
Operating expenses	(208,683)	(6,987)	(218,763)	(7,302)	(408,482)	(13,675)	(417,791)	(13,945)
Operating gross profit	117,251	3,925	95,101	3,174	241,814	8,096	210,585	7,029
Non-operating income and expenses	(2,876)	(96)	4,608	154	(5,719)	(192)	8,464	282
Profit from continuing operations before income tax	114,375	3,829	99,709	3,328	236,095	7,904	219,049	7,311
Income tax expenses	(20,254)	(678)	(16,384)	(547)	(41,635)	(1,394)	(36,672)	(1,224)
Net income	94,121	3,151	83,325	2,781	194,460	6,510	182,377	6,087
Other comprehensive (loss) income	(7,112)	(238)	(1,897)	(63)	(13,442)	(450)	2,772	93
Total comprehensive income	\$87,009	\$2,913	\$81,428	\$2,718	\$181,018	\$6,060	\$185,149	\$6,180
Primary earnings per share	\$0.63	\$0.02	\$0.56	\$0.02	\$1.30	\$0.04	\$1.22	\$0.04

English Translation of Financial Statements Originally Issued in Chinese

Cathay Futures Co., Ltd.
Condensed Balance Sheet
As of 30 June 2014 and 2013 and as of 31 December and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.6.30		2013.12.31		2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Current assets	\$3,103,393	\$103,897	\$2,876,356	\$96,425	\$2,808,397	\$93,738	\$2,516,674	\$86,632
Available-for-sale financial assets	235,088	7,870	222,738	7,467	30,500	1,018	30,500	1,050
Property and equipment	58,560	1,960	59,267	1,987	58,132	1,940	59,026	2,032
Investment property	255,557	8,556	255,826	8,576	256,095	8,548	256,364	8,825
Intangible assets	1,877	63	2,212	74	1,613	54	1,311	45
Other non-current assets	170,397	5,705	169,110	5,669	168,888	5,637	151,316	5,209
Total assets	\$3,824,872	\$128,051	\$3,585,509	\$120,198	\$3,323,625	\$110,935	\$3,015,191	\$103,793
Liabilities								
Current liability	\$2,828,693	\$94,700	\$2,595,410	\$87,007	\$2,537,622	\$84,700	\$2,230,013	\$76,765
Deferred tax liability	412	14	412	14	412	14	412	14
Other non-current liability	1,447	49	1,447	48	1,446	48	1,439	49
Total liabilities	2,830,552	94,763	2,597,269	87,069	2,539,480	84,762	2,231,864	76,828
Stockholders' equity								
Capital stock	650,000	21,761	650,000	21,790	650,000	21,696	650,000	22,375
Retained earnings	139,292	4,663	148,028	4,962	133,478	4,455	133,327	4,590
Others	205,028	6,864	190,212	6,377	667	22	-	-
Total stockholders' equity	994,320	33,288	988,240	33,129	784,145	26,173	783,327	26,965
Total liabilities and stockholders' equity	\$3,824,872	\$128,051	\$3,585,509	\$120,198	\$3,323,625	\$110,935	\$3,015,191	\$103,793

Cathay Futures Co., Ltd.
Condensed Statement of Comprehensive Income
For the three-month periods ended 30 June 2014 and 2013, and for the six-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.4.1~2014.6.30		2013.4.1~2013.6.30		2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Income	\$32,582	\$1,091	\$33,617	\$1,122	\$60,292	\$2,018	\$63,418	\$2,117
Expenses	(35,388)	(1,185)	(35,301)	(1,178)	(68,232)	(2,284)	(66,772)	(2,229)
Operating loss	(2,806)	(94)	(1,684)	(56)	(7,940)	(266)	(3,354)	(112)
Non-operating income and expenses	19,013	637	18,441	616	28,074	940	27,759	927
Profit from continuing operations before income tax	16,207	543	16,757	560	20,134	674	24,405	815
Income tax expenses	(940)	(32)	(1,512)	(51)	(1,556)	(52)	(2,812)	(94)
Net income	15,267	511	15,245	509	18,578	622	21,593	721
Other comprehensive income	7,254	243	667	22	14,816	496	667	22
Total comprehensive income	\$22,521	\$754	\$15,912	\$531	\$33,394	\$1,118	\$22,260	\$743
Primary earnings per share	\$0.24	\$0.01	\$0.23	\$0.01	\$0.29	\$0.01	\$0.33	\$0.01