Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Financial Statements
For the years ended
31 December 2014 and 2013
With Independent Auditors' Audit 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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Building a better working world

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Audit Report of Independent Auditors

English Translation of a Report Originally Issued in Chinese

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

We have audited the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. (the "Company") and its subsidiaries as of 31 December 2014, 31 December 2013 and 1 January 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 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 "Regulations Governing Auditing and Attestation of Financial Statement by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from 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 evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statement. 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 31 December 2014, 31 December 2013 and 1 January 2013, and the consolidated results of their operations and their cash flows for the years ended 31 December 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 "International Financial Reporting Standards", "International Accounting Standards", "Interpretations developed by the International Financial Reporting Interpretations Committee" 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 year ended 31 December 2013, and the related consolidated balance sheets as of 1 January 2013 and 31 December 2013.

Ernst & Young
Taipei, Taiwan
The Republic of China
19 March 2015

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdiction. The standards, procedures and practices to 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 at 31 December 2014, 31 December 2013 and 1 January 2013
(Expressed in thousands of New Taiwan Dollars)

	Notes	2014.12.31	2013.12.31	2013.1.1
Assets				
Cash and cash equivalents	4, 6	$435,006,606	$331,666,078	$313,663,386
Due from the Central Bank and call loans to banks		151,289,044	151,945,066	109,003,762
Financial assets at fair value through profit or loss	4, 7	223,007,168	244,023,246	146,746,672
Available-for-sale financial assets -net	4, 8	1,405,300,159	1,357,106,776	1,302,743,262
Derivative financial assets for hedging	4	665,390	1,300,914	2,362,366
Securities purchased under agreements to resell	4	56,515,170	12,960,817	15,749,244
Receivables -net	4, 9	134,368,376	169,590,966	109,911,278
Current income tax assets	4	7,374,177	5,585,301	3,597,490
Assets held for sale -net		-	81,950	-
Loans -net	4, 10	1,812,773,579	1,667,391,682	1,521,712,123
Reinsurance assets -net		6,377,012	5,740,684	14,641,999
Held-to-maturity financial assets -net	4, 11	81,658,512	54,970,153	24,380,985
Investments accounted for using the equity method -net	4, 12	4,546,723	3,153,320	2,235,874
Other financial assets -net	4, 13	2,131,815,297	1,724,797,817	1,605,300,209
Investment properties -net	4, 14	338,336,979	292,314,597	251,035,241
Property and equipment -net	4, 15	92,877,629	103,394,363	113,460,664
Intangible assets -net	4, 16	9,283,025	9,223,432	9,393,007
Deferred tax assets -net	4	16,245,526	15,062,222	19,065,855
Other assets -net		37,561,436	26,963,277	24,726,997
Total assets		$6,945,001,808	$6,177,272,661	$5,589,730,414

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 Balance Sheets - (continued)
As at 31 December 2014, 31 December 2013 and 1 January 2013
(Expressed in thousands of New Taiwan Dollars)

Liabilities & equity	Notes	2014.12.31	2013.12.31	2013.1.1
Liabilities				
Due to the Central Bank and call loans from banks		$58,816,432	$56,985,225	$56,934,246
Bankers acceptances and funds borrowed		1,585,900	1,497,500	1,456,800
Financial liabilities at fair value through profit or loss	4, 17	108,286,154	28,754,621	9,086,346
Derivative financial liabilities for hedging		-	5,148	-
Securities sold under agreements to repurchase	4	62,021,921	60,931,600	22,046,517
Commercial paper payable -net	4, 18	26,790,000	10,050,000	5,540,000
Payables		50,417,151	37,548,440	60,740,926
Current income tax liabilities	4	237,634	37,003	104
Deposits	19	1,702,302,143	1,585,031,001	1,458,392,976
Bonds payable	4, 20	107,613,949	92,417,213	89,831,007
Provisions	4, 22	3,801,526,910	3,477,440,832	3,175,688,291
Other financial liabilities -net	4, 21	543,279,993	413,414,217	348,229,937
Deferred tax liabilities	4	27,171,794	18,936,804	19,843,268
Other liabilities		16,630,845	14,712,855	18,548,681
Total liabilities		6,506,680,826	5,797,762,459	5,266,339,099
Equity attributable to owners of parent				
Capital stock				
Common stock	24	125,632,102	119,649,621	108,653,851
Capital surplus	25	88,782,304	89,063,184	78,508,148
Retained earnings	26			
Legal reserve		19,784,401	16,922,773	15,222,599
Special reserve		82,305,614	82,314,780	82,314,780
Undistributed earnings		61,107,449	37,287,956	16,296,275
Other equity		55,069,268	30,091,548	25,823,918
Treasury stock	4, 27	-	-	(7,179,872)
Non-controlling interests	4, 28	5,639,844	4,180,340	3,751,616
Total equity		438,320,982	379,510,202	323,391,315
Total liabilities and equity		$6,945,001,808	$6,177,272,661	$5,589,730,414

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 Comprehensive Income
For the years ended 31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

	Notes	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Interest income	4	$141,353,891	$128,631,189
Less: Interest expenses		(16,271,075)	(14,073,643)
Net interest income	4	125,082,816	114,557,546
Net income other than interest			
Net commission and handling fee		369,206	790,862
Net premiums from insurance business		202,458,185	213,301,740
Losses on financial assets and liabilities at fair value through profit or loss		(47,375,592)	(28,805,639)
Gains from investment properties		26,194,212	15,537,918
Realized gains on available-for-sale financial assets		43,743,777	34,241,006
Realized gains on held-to-maturity financial assets		4,591	3,134
Gains on foreign exchange		53,400,038	35,548,670
Impairment losses on assets		(118,038)	(174,671)
Share of profit of associates and joint ventures accounted for using equity method		167,505	157,038
Net other non-interest gains		3,448,803	6,972,108
Total income		407,375,503	392,129,712
Bad debt expenses and provision for premiums reserve		(2,982,412)	(1,484,068)
Changes in insurance liabilities and provisions		(290,799,984)	(293,569,577)
Operating expenses	29		
Employee benefits expenses		(35,106,064)	(34,297,866)
Depreciation and amortizations expenses		(2,526,728)	(2,907,416)
Other general and administration expenses		(19,717,595)	(17,071,429)
Subtotal		(57,350,387)	(54,276,711)
Profit before income tax from continuing operations		56,242,720	42,799,356
Income tax expense	4, 31	(6,458,083)	(4,778,984)
Net income		49,784,637	38,020,372
Other comprehensive income	4, 30		
Exchange differences resulting from translating the financial statements of a foreign operation		1,602,548	733,397
Unrealized gains (losses) gains from available-for-sale financial assets		26,656,341	(6,879,955)
Losses on cash flow hedges		(241,911)	(714,659)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		88,452	(14,204)
Other comprehensive income - others		913,058	10,805,816
Income tax relating to the components of other comprehensive income		(2,832,840)	439,624
Other comprehensive income, net of tax		26,185,648	4,370,019
Total comprehensive income		$75,970,285	$42,390,391
Net income attributable to:			
Owners of parent		$49,522,447	$37,816,036
Non-controlling interests		262,190	204,336
Subtotal		$49,784,637	$38,020,372
Total comprehensive income attributable to:			
Owners of parent		$75,312,384	$42,083,666
Non-controlling interests		657,901	306,725
Subtotal		$75,970,285	$42,390,391
Earnings per share (expressed in dollars) :	32		
Basic earnings per share:			
Net income		$3.94	$3.12

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
Statements of changes in equity
For the years ended 31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of parent													
	Capital stock		Retained earnings			Other equity								
Items	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of a foreign operation	Unrealized gains from available-for-sale financial assets	Gains on cash flow hedges	Revaluaiton Surplus	Others	Treasury stock	Total	Non-controlling interests	Total equity
Balance on 1 January 2013(adjusted)	$108,653,851	$78,508,148	$15,222,599	$82,314,780	$16,296,275	$(1,082,097)	$25,930,563	$976,682	$-	$(1,230)	$(7,179,872)	$319,639,699	$3,751,616	$323,391,315
Appropriations and distribution for 2012(Note1)														
Legal reserve			1,700,174		(1,700,174)									-
Cash dividends					(7,465,770)							(7,465,770)		(7,465,770)
Stock dividend	7,465,770				(7,465,770)									-
Net income for the year ended 31 December 2013(adjusted)					37,816,036							37,816,036	204,336	38,020,372
Other comprehensive income for the year ended 31 December 2013						554,063	(5,700,072)	(594,376)	10,007,738	277		4,267,630	102,389	4,370,019
Comprehensive income for the year ended 31 December 2013(adjusted)	-	-	-	-	37,816,036	554,063	(5,700,072)	(594,376)	10,007,738	277	-	42,083,666	306,725	42,390,391
Increase in cash capital	3,530,000	9,178,000										12,708,000		12,708,000
Value difference between price of subsidiary stock paid and book value		29,142			(192,641)							(163,499)		(163,499)
Share-based payment transaction		203,408										203,408		203,408
Others		1,144,486									7,179,872	8,324,358		8,324,358
Increase in non-controlling interests													121,999	121,999
Balance on 31 December 2013(adjusted)	$119,649,621	$89,063,184	$16,922,773	$82,314,780	$37,287,956	$(528,034)	$20,230,491	$382,306	$10,007,738	$(953)	$-	$375,329,862	$4,180,340	$379,510,202
Balance on 1 January 2014(adjusted)	$119,649,621	$89,063,184	$16,922,773	$82,314,780	$37,287,956	$(528,034)	$20,230,491	$382,306	$10,007,738	$(953)	$-	$375,329,862	$4,180,340	$379,510,202
Appropriations and distribution for 2013(Note2)														
Legal reserve			2,861,628		(2,861,628)									-
Cash dividends					(17,947,443)							(17,947,443)		(17,947,443)
Stock dividend	5,982,481				(5,982,481)									-
Reversal of special reserve				(9,166)	9,166									-
Other additional paid-in capital														
Share of changes in net assets of associates and joint ventures accounted for using the equity method		(13,665)										(13,665)		(13,665)
The capital reserve set aside for the first-time adoption of TIFRS		(267,215)			267,215									-
Net income for the year ended 31 December 2014					49,522,447							49,522,447	262,190	49,784,637
Other comprehensive income for the year ended 31 December 2014						1,129,820	24,027,155	(201,853)	835,299	(484)		25,789,937	395,711	26,185,648
Comprehensive income for the year ended 31 December 2014	-	-	-	-	49,522,447	1,129,820	24,027,155	(201,853)	835,299	(484)	-	75,312,384	657,901	75,970,285
Others					812,217				(812,217)					-
Increase in non-controlling interests													801,603	801,603
Balance on 31 December 2014	$125,632,102	$88,782,304	$19,784,401	$82,305,614	$61,107,449	$601,786	$44,257,646	$180,453	$10,030,820	$(1,437)	$-	$432,681,138	$5,639,844	$438,320,982

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

Note1: As of 31 December 2012, directors' remuneration $5,400 thousands and employees' bonuses $1,494 thousands have been deducted from current year's Statements of Comprehensive Income.
Note2: As of 31 December 2013, directors' remuneration $3,300 thousands and employees' bonuses $2,394 thousands have been deducted from current year's Statements of Comprehensive Income.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Statements of cash flows
For the years ended 31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Cash flows from operating activities		
Profit before income tax from continuing operations	$56,242,720	$42,799,356
Adjustments :		
Income and other adjustments with no cash flow effects		
Depreciation expenses	2,201,638	2,535,152
Amortizations expenses	325,090	372,264
Bad debt expense	2,982,412	1,484,068
Net losses on financial assets and liabilities at fair value through profit or loss	52,807,475	33,184,214
Interest expenses	16,271,075	14,073,643
Interest revenue	(141,353,891)	(128,631,189)
Dividend income	(16,154,452)	(14,644,454)
Net changes in insurance liabilities and provisions	317,641,171	295,470,955
Net changes of other liabilities and provisions	6,364,225	6,211,326
Share of gain of associates and joint ventures accounted for using the equity method	(167,505)	(157,038)
(Gains) losses on disposal or scrapping of property and equipment	(29,699)	5,384
(Gains) losses on disposal of investment properties	(2,080,366)	144,560
Gains on disposal of investments	(35,320,897)	(30,792,422)
Gains on disposal of investments accounted for using the equity method	-	(131,174)
Impairment losses on financial assets	89,573	206,620
Impairment losses on non-financial assets	28,465	-
Reversal of impairment losses on non-financial assets	-	(31,949)
Unrealized foreign exchange losses	49,327	14,746
Losses on redeeming corporate bonds payable	-	203,372
Revaluation gains on investment properties	(16,731,241)	(9,234,839)
Others	-	203,408
Subtotal	186,922,400	170,486,647
Changes in operating assets and liabilities		
Changes in operating assets		
Increase in due from the Central Bank and call loans to banks	(2,977,965)	(4,890,404)
Decrease (increase) in financial assets at fair value through profit or loss	82,138,671	(82,415,269)
Decrease (increase) in available-for-sale financial assets	4,599,536	(37,201,490)
Decrease in derivative financial assets for hedging	393,612	346,794
Decrease (increase) in accounts receivable	40,428,188	(56,140,162)
Increase in loans	(147,551,421)	(146,695,438)
(Increase) decrease in reinsurance contract assets	(610,827)	8,959,387
Increase in financial assets held to maturity	(26,576,197)	(30,802,249)
Increase in other financial assets	(313,018,342)	(64,933,396)
Increase in other assets	(2,547,715)	(339,066)
Subtotal	(365,722,460)	(414,111,293)
Changes in operating liabilities		
Increase (decrease) in due to the Central Bank and call loans from banks	1,368,524	(177,381)
Decrease in financial liabilities at fair value through profit or loss	(31,042,678)	(26,292,724)
(Decrease) increase in derivative financial liabilities for hedging	(5,148)	5,148
Increase in securities purchased under agreements to resell	857,706	39,182,351
Increase (decrease) in payables	10,694,822	(25,450,568)
Increase in deposits	116,000,041	125,951,868
Increase (decrease) in provisions for the liabilities of employee benefits	106,383	(9,343)
Decrease in reserves for the operations and liabilities	(140,760)	(59,443)
Increase in other financial liabilities	43,697,193	18,718,967
Increase (decrease) in other liabilities	1,237,745	(3,502,203)
Subtotal	142,773,828	128,366,672
Subtotal of Changes in operating assets and liabilities	(222,948,632)	(285,744,621)
Subtotal of Adjustment	(36,026,232)	(115,257,974)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Cash generated from operations	20,216,488	$(72,458,618)
Interest received	137,045,682	126,241,756
Dividends received	16,357,817	14,799,076
Interest paid	(14,631,379)	(13,294,354)
Income taxes paid	(4,422,173)	(3,503,624)
Net cash flows from operating activities	154,566,435	51,784,236
Cash flows from investing activities		
Acquisition of financial assets at fair value through profit or loss	(1,483,000)	(225,000)
Disposal of financial assets at fair value through profit or loss	215,009	475,769
Acquisition of financial assets available for sale	(876,690)	(990,013)
Disposal of financial assets available for sale	1,136,624	801,792
Due repays principal of bond investments with no active market	85,420	208,750
Due repays principal of financial assets held to maturity	-	200,000
Acquisition of investments accounted for using the equity method	(1,380,025)	(472,953)
Disposal of investments accounted for using the equity method	39,854	217,537
Acquisition of subsidiary	-	(338,612)
Disposal of subsidiary	-	(465,975)
Cash returned by capital deduction from investments accounted for using equity method	22,625	13,067
Disposal of assets held for sale	65,981	-
Acquisition of property and equipment	(1,375,506)	(2,036,594)
Disposal of property and equipment	58,740	28,596
Increase in operating deposit	-	(50,000)
Decrease in operating deposit	-	25,000
Increase in clearing and settlement funds	-	(2,121)
Decrease in clearing and settlement funds	866	9,615
Increase in guarantee deposits paid	(19,470)	(15,905)
Decrease in guarantee deposits paid	8	9
Acquisition of intangible assets	(236,460)	(158,394)
Acquisition of investment properties	(29,496,226)	(11,646,282)
Disposal of investment properties	12,830,422	261
Increase in other assets	(9,477,543)	(2,650,131)
Dividends received	69,097	37,496
Net cash used in investing activities	(29,820,274)	(17,034,088)
Cash flows from financing activities		
Increase in short-term borrowings	900,000	-
Increase in funds borrowed from Central Bank and banks	88,400	3,099,980
Increase in commercial paper payable	16,740,000	4,510,000
Redemption of corporate bonds	-	(1,299,728)
Issuance of bank debentures	15,196,735	9,898,582
Increase (decrease) in bills and bonds sold under agreements to repurchase	232,615	(297,268)
Increase (decrease) in other liabilities	572,913	(201,356)
Payment of cash dividends	(17,947,445)	(7,465,771)
Increase in cash capital	966,820	12,708,000
Net cash flows from financing activities	16,750,038	20,952,439
Effects of exchange rate changes on cash and cash equivalents	1,826,420	595,059
Increase in cash and cash equivalents	143,322,619	56,297,646
Cash and cash equivalents at the beginning of periods	453,686,200	397,388,554
Cash and cash equivalents at the end of periods	$597,008,819	$453,686,200
The components of cash and cash equivalents		
Cash and cash equivalents presented in balance sheet	$435,006,606	$331,666,078
Due from the Central Bank and call loans to banks satisfied the definition of cash and cash equivalents under IAS No.7	105,487,043	109,059,305
Bills sold under agreements to resell satisfied the definition of cash and cash equivalents under IAS No.7	56,515,170	12,960,817
Cash and cash equivalents at the end of periods	$597,008,819	$453,686,200

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

English Translation of Financial Statement Originally issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Notes to Audited Consolidated Financial Statements
31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars except
for share and per share data and unless otherwise stated)

1. Organization and business scope

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

As of 31 December 2014, 31 December 2013 and 1 January 2013, the total numbers of the employees of the Company and Subsidiaries (the Group) were 44,542, 44,487, and 44,678, respectively.

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

The consolidated financial statements of the Group for the years ended 31 December 2014 and 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 19 March 2015.

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.

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.

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.

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

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

E. *IAS 12 "Income Taxes" — Deferred Taxes: Recovery of Underlying Assets*

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

F. *IFRS 10 "Consolidated Financial Statements"*

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

G. *IFRS 11 "Joint Arrangements"*

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

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.

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.

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.

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 were issued by IASB and recognized by FSC so that they are applicable for annual periods beginning on or after 1 January 2015. When the Group applies the amendments to IAS 19 in 2015, employee benefits will be recognized based on actuarial calculations in accordance with IAS 19. The Group anticipates that as of 31 December and 1 January 2014, deferred tax assets will be retrospectively restated to decrease by $163,908 and $404,748 thousand, respectively; prepaid pension cost will be retrospectively restated to increse by $741 and $664 thousand, respectively; accrued pension liabilities will be retrospectively restated to decrease by $964,165 and $2,380,870 thousand, respectively; deferred tax liability will be retrospectively restated to increase by $126 and $112 thousand, respectively; retained earnings will be retrospectively restated to decrease by $119,547 and $14,385 thousand, respectively; other equity will be retrospectively restated to increase by $920,419 and $1,991,059 thousand, respectively. After evaluation, the Group adopted IAS 19 *(Amendment)*, and as result, the disclosure of combined financial statements will be increased.

Except that aforementioned sections D, H-J, and M will impact the presentation of financial statements and increase the disclosure of combined financial statements, other newly issued, amended principles or interpretations have no impact on the Group.

(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.

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.

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 B5.7.12 of IFRS 9 *Financial Instruments* and paragraph AG79 of IAS 39 *Financial Instruments: Recognition and Measurement* as consequential amendments from IFRS 13 *Fair Value Measurement*, the IASB did not intend to change the measurement requirements for short-term receivables and payables.

IAS 16 "Property, Plant and Equipment"

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

IAS 24 "Related Party Disclosures"

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

IAS 38 "Intangible Assets"

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

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.

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.

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.

M. *IAS 27"Separate Financial Statements" — Equity Method in Separate Financial Statements*

The IASB restored the option to use the equity method under IAS 28 for an entity to account for investments in subsidiaries and associates in the entity's separate financial statements. In 2003, the equity method was removed from the options. This amendment removes the only difference between the separate financial statements prepared in accordance with IFRS and those prepared in accordance with the local regulations in certain jurisdictions.

The amendment is effective for annual periods beginning on or after 1 January 2016.

N. *IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The amendment is effective for annual periods beginning on or after 1 January 2016.

O. *Improvements to International Financial Reporting Standards (2012-2014 cycle):*

IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

The amendment clarifies that a change of disposal method of assets (or disposal groups) from disposal through sale or through distribution to owners (or vice versa) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. The amendment also requires identical accounting treatment for an asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners. The amendment is effective for annual periods beginning on or after 1 January 2016.

IFRS 7 "Financial Instruments: Disclosures"

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and therefore the disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety under IFRS 7 *Financial Instruments: Disclosures* is required. The amendment also clarifies that whether the IFRS 7 disclosure related to the offsetting of financial assets and financial liabilities are required to be included in the condensed interim financial report would depend on the requirements under IAS 34 *Interim Financial Reporting.* The amendment is effective for annual periods beginning on or after 1 January 2016.

IAS 19 "Employee Benefits"

The amendment clarifies the requirement under IAS 19.83, that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. The amendment is effective for annual periods beginning on or after 1 January 2016.

IAS 34 "Interim Financial Reporting"

The amendment clarifies what is meant by "elsewhere in the interim financial report" under IAS 34; the amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment is effective for annual periods beginning on or after 1 January 2016.

P. *IAS 1 "Presentation of Financial Statements" (Amendment):*

The amendments contain (1) clarifying that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments reemphasize that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted, (2) clarifying that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated, and how an entity shall present additional subtotals, (3) clarifying that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasize that understandability and comparability should be considered by an entity when deciding on that order, (4) removing the examples of the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be, and (5) clarifying that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2016.

Q. *IFRS 10"Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities", and IAS 28"Investments in Associates and Joint Ventures" — Investment Entities: Applying the Consolidation Exception*

The amendments contain (1) clarifying that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity when the investment entity measures all of its subsidiary at fair value, (2) clarifying that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated when all other subsidiaries of an investment entity are measured at fair value, and (3) allowing the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendment is effective for annual periods beginning on or after 1 January 2016.

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 years ended 31 December 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 thousand 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.

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 Company'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	2014.12.31	2013.12.31	2013.1.1	Notes
The Company	Cathay Life Insurance Co., Ltd. ("Cathay Life")	Life insurance	100.00	100.00	100.00	Cathay Life was incorporated in Taiwan on 23 October 1962, under the ROC Company Act (the "Company Act").

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Investor	Subsidiary	Business nature	2014.12.31	2013.12.31	2013.1.1	Notes
The Company	Cathay United Bank Co., Ltd. ("Cathay United Bank")	Commercial banking operations	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	Cathay Century was incorporated in Taiwan on 19 July 1993, under the Company Act. Cathay Century changed its name from "Tong Tai Insurance Co., Ltd." to "Cathay Century Insurance Co., Ltd." on 2 August 2002.
The Company	Cathay Securities Corporation ("Cathay Securities")	Securities	100.00	100.00	100.00	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	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	Cathay Securities Investment Trust was incorporated on 11 February 2000.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Investor	Subsidiary	Business nature	2014.12.31	2013.12.31	2013.1.1	Notes
Cathay Life	Cathay Lujiazui Life Insurance Company Limited. (“Cathay Life (China)”)	Life insurance	50.00	50.00	50.00	Cathay Life (China) was incorporated on 29 December 2004. Cathay Life and Shanghai Lujiazui Finance Tradezone Development Co., Ltd. each owns 50% interest in Cathay Life (China).
Cathay Life	Symphox Information Co., Ltd. (“Symphox Information”)	Type II telecom service, data processing service, information supply service	49.12	49.12	100.00	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	Cathay Life (Vietnam) was incorporated on 21 November 2007.
Cathay Life	Cathay Woolgate Exchange Holding 1 Limited	Real estate investment and management	100.00	-	-	Cathay Woolgate Exchange Holding 1 Limited was incorporated on 30 July 2014.
Cathay Life	Cathay Woolgate Exchange Holding 2 Limited	Real estate investment and management	100.00	-	-	Cathay Woolgate Exchange Holding 2 Limited was incorporated on 30 July 2014.
Cathay Life	Lin Yuan (Shanghai) Real Estate Co., Ltd (“Lin Yuan”)	Office equipment leasing company	100.00	100.00	100.00	Lin Yuan was incorporated on 15 August 2012.
Cathay Life, Cathay Century	Cathay Insurance Co., Ltd. (China) (“Cathay Century (China)”)	Property and casualty insurance	100.00	100.00	100.00	Cathay Century (China) was incorporated on 26 August 2008. Cathay Life and Cathay Century each owns 50% interest of Cathay Century (China).
Cathy Century	Cathay Insurance (Vietnam) Co., Ltd. (“Cathay Century (Vietnam)”)	Property and casualty insurance	100.00	100.00	100.00	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	Indovina Bank was incorporated in Vietnam on 21 November 1990. Cathay United Bank and Vietinbank each owns 50% interest of Indovina Bank.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Investor	Subsidiary	Business nature	2014.12.31	2013.12.31	2013.1.1	Notes
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 Co., Ltd. (“Cathay Futures”)	Futures related business	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.

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

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

The Board of Cathay United Bank approved to raise capital of CUBC by US$43,000 thousand, and after that, the paid-in capital would amount to US$60,000 thousand. On 25 June 2014, Cathay United Bank had transferred investment of US$43,000 thousand 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 Group.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Investor	Investee	Business	2014.12.31 Ownership interest	2013.12.31 Ownership interest	2013.1.1 Ownership interest	Notes
Cathay Life	Cathay Insurance (Bermuda) Co., Ltd. ("Cathay Insurance (Bermuda)")	Class 3 general business insurers and a long-term insurer	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	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	Seaward Card was incorporated on 9 April 1999.
Cathay Securities	Cathy Investment Consulting (Shanghai) Co., Ltd.	Investment Consulting	100.00	-	-	Cathy Investment Consulting (Shanghai) Co., Ltd. was incorporated on 11 June 2014.

(4) Foreign currency transactions

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

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

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

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

B. Foreign currency items within the scope of IAS 39 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of financial statements in foreign currency

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

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

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

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Group classify time deposits as cash equivalents when they have maturities of less than 12 months and can be readily convertible to known amounts of cash and be subject to an insignificant risk of changes in value.

(7) The transaction of Repo notes and bonds

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

(8) Financial instruments

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

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

A. Financial assets

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

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, investments in debt securities with no active market, derivative financial assets for hedging, 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 identient 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:

fied financial instruments that are managed together and for which there is evidence of a rec

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

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

Available-for-sale financial assets

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

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

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

Held-to-maturity financial assets

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

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

Loans and receivables

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

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Derivative financial assets for hedging

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

Investments in debt securities with no active market

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

Impairment of financial assets

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

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

Other loss events include:

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

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

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

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

Derecognition of financial assets

Financial asset is derecognized when:

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

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

The reclassification of financial assets

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

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

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

B. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid is recognized in profit or loss.

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

Derivative financial liabilities for hedging

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

C. Offsetting of financial instruments

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

D. Fair value of financial instruments

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

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

(9) Derivative financial instrument

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

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

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

(10) Investments accounted for using the equity method

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

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

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

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

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.

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 fair value model, with changes in the fair value under the fair value model being recognized in profit or loss according to the requirements of IAS 40, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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

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

(13) Leases

Group as a lessee

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

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

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

Group as a lessor

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

(14) Intangible assets

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

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

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

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

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

(15) Impairment of non-financial assets

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

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

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

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.

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. Cathay Life changes its accounting policy for subsequent measurement of investment property from cost to fair value starting from year of 2014. The value of insurance liabilities at the same time is measured at fair value in accordance with rules issued by the FSC on 21 March 2014. The results of the measurements indicate that the fair value of the insurance liabilities doesn't exceed book value, therefore insurance liabilities doesn't have to be increased.

d. Special reserve

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

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 $30,000 thousand can be withdrawn from the reserve. If the reserve has been set aside for over 15 years, the Company could have its plan of the recovering process of the reserve assessed by certified actuaries and submit the plan to the authority for reference. The post-tax amount of the recovery determined in accordance with IAS12 *Income Taxes* can be recorded in the special capital reserve for major incidents under equity.

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

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

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

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

(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.

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.

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.

(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 \$30,000 thousand individually and the aggregate payment of loss of the whole property and casualty insurers in excess of \$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.

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 oversea subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Defined benefit plan

Post-employment benefit plan that is classified as a defined benefit plan uses the projected unit credit method to measure its obligations and costs based on actuarial assumptions. Accumulated unrecognized net actuarial gain or loss in excess of 10% of the larger of the present value of defined benefit obligation, or the fair value of planned assets, will be amortized by anticipated average remaining working years of employees. 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:

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.

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.

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.

When the Group acquires business, it will assess the adequacy of classification and appointment of assests and liabilities according to the contract terms, the economic situation and other relevant factors. The evaluation includes whether to separate the embedded derivatives contained in the master contract.

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.

The transfer price of acquirer will be measured by fair value on the transaction date. After transaction date, the transfer price, classified as asset or liability, will be reevaluated through profit or loss, or other comprehensive income, according to IAS 39 ”Financial instruments: recognition and measurement”. If the transaction price is classified as equity, it will not be remeasured until it is settled in equity.

The initial recognition of goodwill is the sum of transfer price and non-controlling interest, in excess of the fair value of identified assets and liabilities acquired by the Group. If the initial recognition is less than the fair value of net assets, the difference will be recognized 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.

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 $75,242,150 thousand as of 1 January 2013 and increases of net income by $9,000,261 thousand, other comprehensive income by $10,007,738 thousand, and total comprehensive income by $19,007,999 thousand 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:

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.

D. The significant degree of risk transform measured by the risk ratio of Cathay Century's insurance policy

The risk ratio of insurance policy＝(amount to insurance company's payment when insurance accident occur/amount to insurance company's payment when insurance accident do not occur－1)×100%

The insurance policies which meet one of the following conditions are defined as insurance contracts:

(a) The insurance period is greater than or equal to 5 years, and at least 5 more policy year meet insurance risk ratio is greater than 10% (or 5%);

(b) The insurance period is less than 5 years, and more than half of the policy year meet insurance risk ratio is greater than 10% (or 5%).

According to the calculation formula of insurance risk ratio, insurance policies often obviously satisfy the conditions of significant risk transform. Therefore insurers do not have to calculate the risk ratio and can define property insurance policy as insurance contracts.

E. The significant degree of risk transform measured by the risk ratio of Cathay Century's re-insurance policy

The risk ratio of re-insurance policy＝(Σ PV amount to assumed re-insurer occur net loss × the ratio of occurrence / PV of premium that assumed re-insurer expected) × 100%

When risk ratio of re-insurance policy that greater than 1%, the policies can be defined as re-insurance contracts.

(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.

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.)

Cathay United Bank tests the impairment of goodwill every year and whenever an impairment of goodwill is possible. Cathay United Bank needs to estimate the recoverable amounts of cash generating units that are appropriated from the goodwill. Cash flows derived from the cash generating units require projections and the appropriate discount rate should be determined to calculate the present value of the future cash flows.

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.

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 form 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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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 counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

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

6. Cash and cash equivalents

	2014.12.31	2013.12.31	2013.1.1
Petty cash and cash on hand	$16,246,007	$14,461,722	$13,493,296
Cash in banks	80,114,375	28,334,607	67,388,184
Time deposits	193,754,061	226,687,323	185,695,849
Cash equivalents	18,438,948	8,210,983	25,367,336
Checks for clearance	6,090,870	3,315,374	8,353,592
Due from commercial banks	120,362,345	50,656,069	13,365,129
Total	$435,006,606	$331,666,078	$313,663,386

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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

7. Financial assets at fair value through profit or loss

	2014.12.31	2013.12.31	2013.1.1
Common stock	$12,036,655	$15,162,795	$13,933,929
Funds and beneficiary certificates	32,174,070	42,506,734	36,983,400
Short-term notes	109,953,558	142,879,991	58,526,767
Corporate bonds	9,314,447	8,151,196	2,985,754
Government bonds	9,006,028	7,136,362	4,588,851
Structured time deposits	2,299,750	12,434,800	18,334,342
Margin for futures trading-own funds	200,838	407,066	170,491
Derivative financial instruments	46,736,378	13,603,174	4,614,049
Overseas financial instruments	1,285,444	1,741,128	6,609,089
Total	$223,007,168	$244,023,246	$146,746,672

(1) As of 1 January 2013, certain financial assets at fair value through profit or loss was sold under repurchase agreements with notional amounts of $2,950,500 thousand. Such repurchase agreements amounting to $3,252,317 thousand are recorded in the account "Securities sold under agreements to repurchase" on the balance sheets. Repurchase agreements entered prior to 1 January 2013 are settled at $3,255,003 thousand, prior to 31 March 2013.

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

8. Available-for-sale financial assets

	2014.12.31	2013.12.31	2013.1.1
Common stock	$308,816,068	$301,182,150	$218,513,045
Funds and beneficiary certificates	23,072,284	25,805,922	23,132,131
Collateralized loans obligation and collateralized bonds obligation	3,649,507	5,704,214	6,761,735
Government bonds	200,653,462	239,377,149	228,054,133
Corporate bonds	61,664,567	74,735,796	70,704,273
Financial debentures	110,585,358	169,682,258	200,618,738
Overseas financial instruments	705,529,899	550,130,528	564,482,514
Less: Litigation deposits	(35,719)	(37,307)	-
Less: Securities serving as deposits paid-bonds	(8,635,267)	(9,473,934)	(9,523,307)
Total	$1,405,300,159	$1,357,106,776	$1,302,743,262

(1) As of 31 December 2014, 31 December 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 $15,143,582 thousand, $14,414,200 thousand, and $15,936,600 thousand, respectively. Such repurchase agreements amounting to $11,855,152 thousand, $14,071,807 thousand, and $17,116,932 thousand, were recorded in the account "Securities sold under agreements to repurchase" on the balance sheets. Repurchase agreements entered prior to 31 December 2014, 31 December 2013, and 1 January 2013 are settled at $11,861,068 thousand, $14,079,632 thousand, and $17,125,290 thousand, prior to 31 January 2015, 30 June 2014 , and 30 June 2013, respectively; as of 31 December 2014 and 31 December 2013, Cathay United Band and its subsidiaries sold certain available-for-sale financial assets under repurchase agreement with notional amounts of $3,710,003 thousand and $1,411,144 thousand, but didn't have repurchase agreements date.

(2) As of 31 December 2014, 31 December 2013, and 1 January 2013, Cathay Securities and its subsidiaries sold certain available-for-sale financial assets under repurchase agreements with notional amounts of $100,000 thousand, $250,000 thousand, and $0 thousand, 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 31 December 2014, 31 December 2013, and 1 January 2013, Cathay Life and its subsidiaries recognized impairment losses amounting to $1,669,430 thousand, $1,669,430 thousand, and $1,697,370 thousand, respectively.

(4) Cathay United Bank has recognized accumulated impairment loss for the available-for-sale financial assets in the amount of $163,785 thousand, $163,785 thousand, and $438,311 thousand as of 31 December 2014, 31 December 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 31 December 2014, 31 December 2013, and 1 January 2013.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

9. Receivable -net

	2014.12.31	2013.12.31	2013.1.1
Notes receivable	$2,115,657	$2,540,478	$3,238,636
Accounts receivable	61,485,841	52,532,967	40,152,466
Interest receivable	33,109,739	30,143,010	28,194,033
Foreign currency receivable	128,259	103,526	88,657
Acceptances	1,276,248	1,378,174	1,639,721
Factoring receivable	18,221,906	69,249,723	9,151,418
Others	20,035,405	15,849,520	29,575,478
Subtotal	136,373,055	171,797,398	112,040,409
Adjustment for discounts and premiums	(7,462)	(6,519)	(5,602)
Less: Allowance for bad debts	(1,997,217)	(2,199,913)	(2,123,529)
Total	$134,368,376	$169,590,966	$109,911,278

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

	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Balance, beginning of the period	$2,199,913	$2,123,529
Provision (reversal) of doubtful accounts	(389,053)	(144,040)
Write-offs	(378,271)	(368,455)
Debt counseling recoveries	128,160	133,567
Recoveries	559,521	585,707
Reclassification	(128,159)	(133,567)
Effect of exchange rates change	5,106	3,172
Balance, end of the period	$1,997,217	$2,199,913

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

Item		Accounts Receivable		
		2014.12.31	2013.12.31	2013.1.1
Objective evidence of impairment exists individually	Individual assessment of impairment	$15,305,171	$11,250,457	$24,591,363
	Collective assessment of impairment	171,362	172,872	140,445
Objective evidence of impairment does not exist individually	Collective assessment of impairment	120,896,522	160,374,069	87,308,601

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Item		Allowance for doubtful account		
		2014.12.31	2013.12.31	2013.1.1
Objective evidence of impairment exists individually	Individual assessment of impairment	$86,432	$62,751	$39,675
	Collective assessment of impairment	128,384	128,609	110,930
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,782,401	2,008,553	1,972,924

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

10. Loans -net

	2014.12.31	2013.12.31	2013.1.1
Inward-outward documentary bills	$9,121,368	$6,669,210	$1,764,969
Loans	1,820,033,486	1,673,190,609	1,529,906,452
Overdrafts	1,429,637	867,731	594,231
Delinquent accounts	3,394,386	4,188,586	4,532,217
Subtotal	1,833,978,877	1,684,916,136	1,536,797,869
Adjustment for discounts and premiums	944,256	982,481	1,097,491
Less: Allowance for bad debts	(22,149,554)	(18,506,935)	(16,183,237)
Total	$1,812,773,579	$1,667,391,682	$1,521,712,123

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

	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Balance, beginning of the period	$18,506,935	$16,183,237
Provision of doubtful accounts	3,461,982	1,905,689
Write-offs	(1,607,430)	(967,485)
Debt counseling recoveries	120,793	115,565
Recoveries	1,589,312	1,233,367
Reclassification	128,159	133,567
Effect of exchange rates change	(50,197)	(97,005)
Balance, end of the period	$22,149,554	$18,506,935

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(2) Assessment for loans are showed as followed:

Item		Total loans		
		2014.12.31	2013.12.31	2013.1.1
Objective evidence of impairment exists individually	Individual assessment of impairment	$19,620,653	$25,525,560	$31,951,217
	Collective assessment of impairment	10,169,605	10,395,734	4,566,018
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,804,188,619	1,648,994,842	1,500,280,634

Item		Allowance for bad debts		
		2014.12.31	2013.12.31	2013.1.1
Objective evidence of impairment exists individually	Individual assessment of impairment	$5,136,492	$4,925,984	$4,887,318
	Collective assessment of impairment	1,883,156	1,679,630	713,956
Objective evidence of impairment does not exist individually	Collective assessment of impairment	15,129,906	11,901,321	10,581,963

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

	2014.12.31	2013.12.31	2013.1.1
Government bonds	$23,555,574	$951,287	$962,741
Corporate bonds	2,696,541	-	-
Financial debentures	-	-	200,000
Overseas financial instruments	56,031,825	54,018,866	23,218,244
Subtotal	82,283,940	54,970,153	24,380,985
Less: Securities serving as deposits paid-bonds	(625,428)	-	-
Total	$81,658,512	$54,970,153	$24,380,985

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(1) As of 31 December 2014, and 31 December 2013, the held-to-maturity financial assets were sold under repurchase agreements with notional amounts of $44,301,111 thousand, and $42,319,350 thousand, respectively. Such repurchase agreements amounting to $40,065,833 thousand, and $39,394,999 thousand, were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to 31 January 2015, and 31 January 2014 are settled at $40,087,078 thousand, and $39,411,066 thousand.

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

12. Investments accounted for using the equity method

	2014.12.31		2013.12.31		2013.1.1	
Investee	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Investments in subsidiaries exclude from consolidated:						
Cathay Securities Investment Consulting	$215,544	100.00	$207,884	100.00	$170,659	100.00
Seaward Card	39,727	100.00	39,107	100.00	39,752	100.00
Cathay Insurance (Bermuda)	126,123	100.00	114,759	100.00	101,761	100.00
Cathy Investment Consulting (Shanghai) Co., Ltd.	34,880	100.00	-	-	-	-
Subtotal	416,274		361,750		312,172	
Investments in associates:						
WK Technology Fund VI Co., Ltd	279,946	21.43	280,880	21.43	279,441	21.43
Vista Technology Venture Capital Corp.	-	-	5,935	35.00	10,533	35.00
Omnitek Venture Capital Corp.	-	-	39,704	24.79	31,694	24.79
Da Sheng Venture Inc.	1,273,596	25.00	-	-	-	-
Taiwan Real-estate Management Corp.	95,048	30.15	99,359	30.15	105,357	30.15
Taiwan Finance Corp.	1,512,391	24.57	1,487,419	24.57	1,418,699	24.57
IBT Venture Capital Corp.	7,485	24.96	29,365	24.96	56,435	24.96
Tien-Tai Energy Corp.	41,861	44.44	42,598	44.44	-	-
Tien-Tai One Energy Corp.	27,751	33.33	21,107	33.33	-	-
Tien-Tai Management Consulting Co., Ltd.	210	30.00	150	30.00	-	-
Chi-Chia Energy Corp.	40,500	29.08	-	-	-	-
Chao-Yang Energy Corp.	40,500	29.08	-	-	-	-
CDBS Cathay Asset Management Co., Ltd	279,825	33.33	298,036	33.33	-	-
Cathay Conning Asset Management Ltd.	80,127	50.00	81,032	50.00	21,543	50.00
Symphox Information Co., Ltd.	451,209	49.12	405,985	49.12	-	-
Subtotal	4,130,449		2,791,570		1,923,702	
Total	$4,546,723		$3,153,320		$2,235,874	

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

	2014.12.31	2013.12.31	2013.1.1
Total assets (100%)	$58,514,280	$49,834,525	$40,808,912
Total liabilities (100%)	(43,457,398)	(40,072,134)	(32,986,134)

	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Revenue (100%)	2,968,835	2,811,359
Profit (loss) (100%)	234,618	310,081

(1) There are no public prices at the Group's investment in the associates and the associates are not restricted to issue cash dividends, repay the borrowings or transfer the capital to the investors in the way of advance.

(2) As of 31 December 2014, 31 December 2013, and 1 January 2013, the carrying amount of investments accounted for using the equity method amounted to $4,130,449 thousand, $2,791,570 thousand, and $1,923,702 thousand, respectively. The share of the profits (losses) of associates and joint ventures accounted for using the equity method amounts to $74,977 thousand and $51,740 thousand for the year ended 31 December 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 $81,486 thousand and $(17,108) thousand for the year ended 31 December 2014 and 2013, respectively. The carrying amount of investments accounted for under the equity method in investees whose financial statements were unreviewed amounts to $(9,660) thousand and $(19,663) thousand for the year ended 31 December 2014 and 2013, respectively. As of 31 December 2014 and 2013, the remaining balance of related investments were $7,485 and $29,365 thousand, respectively.

(3) No investment in the associates was pledged.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(4) Cathay Life obtained proceeds of $90,297 thousand from disposal of 11% shares of Symphox Information during November 2013. The disposal resulted in a decrease of related net carrying amount by $61,155 thousand, and the differences between proceeds obtained and net carrying amount was $29,142 thousand, 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 $327,365 thousand, and profit from disposal amount of $109,828 thousand.

The Group loses the control of Symphox Information and remaining 49.12% interest investment whose fair value at the date of was $404,431 thousand and the $131,174 thousand 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:

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

(5) Cathay Securities Investment Trust reinvested CNY¥66,000 thousand in CDBS Cathay Asset Management Co., Ltd. on August 2013, obtaining 33.33% 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

	2014.12.31	2013.12.31	2013.1.1
Investments in debt securities with no active market	$1,629,251,574	$1,305,675,228	$1,242,279,799
Separate account product assets	462,266,776	376,252,736	329,557,246
Structured time deposits	39,200,000	40,900,000	23,500,000
Other miscellaneous financial assets	1,096,947	1,969,853	9,963,164
Total	$2,131,815,297	$1,724,797,817	$1,605,300,209

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Investments in debt securities with no active market

	2014.12.31	2013.12.31	2013.1.1
Preferred stocks	$7,984,017	$8,481,017	$8,481,017
Corporate bonds	40,100,067	29,000,000	22,949,999
Overseas financial instruments	1,214,383,365	987,760,191	781,861,152
Time deposit	365,198,125	280,334,020	428,987,631
Beneficial right of real estate	200,000	100,000	-
Collateralized loans obligation and collateralized bonds obligation	1,386,000	-	-
Total	$1,629,251,574	$1,305,675,228	$1,242,279,799

(1) A CDO impairment is recognized as objective impairment evidence exists for some overseas bonds held by Cathay Life and its subsidiaries. As of 31 December 2014, 31 December 2013, and 1 January 2013, Cathay Life and its subsidiaries recognized impairment losses amounting to $412,334 thousand, $389,350 thousand, and $378,768 thousand, respectively.

(2) Cathay United Bank has recognized accumulated impairment loss for the investments in debt securities with no active market in the amount of $1,358,935 thousand, $1,199,326 thousand, and $1,167,518 thousand as of 31 December 2014, 31 December 2013, and 1 January 2013, respectively, due to credit deterioration of securitization and financial debentures.

Cathay United Bank has recognized accumulated impairment loss for the investment in debt securities with no active market in the amount of $95,586 thousand, $95,586 thousand, and $106,215 thousand as of 31 December 2014, 31 December 2013, and 1 January 2013, respectively, due to the default on the convertible bonds.

(3) As of 31 December 2014, and 31 December 2013, certain investments in debt securities with no active market classified as overseas financial instruments with the notional amounts of $11,597,421 thousand, and $10,739,833 thousand, respectively, were sold at the price amounted to $4,058,318 thousand, and $3,803,650 thousand, 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 $4,060,181 thousand, and $3,805,024 thousand, respectively, no later than 31 January 2015, and 31 January 2014 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 31 December 2014, 31 December 2013, and 1 January 2013.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

14. Investment property

	Land	Buildings	Construction	Prepayments for buildings	Total
1 January 2014	$219,714,093	$51,857,230	$15,570,122	$5,173,152	$292,314,597
Additions from acquisitions	5,210,205	10,338,006	5,183,491	7,723,413	28,455,115
Additions from subsequent expenditure	-	-	1,041,111	-	1,041,111
Transfers from property and equipment	9,776,902	839,833	-	-	10,616,735
Transfers from (to) investment property under construction and prepayments for buildings and land	7,036,238	13,361,784	(9,357,441)	(11,100,995)	(60,414)
Gains(losses) generated from fair value adjustments	17,918,782	(1,187,541)	-	-	16,731,241
Impairment	(28,465)	-	-	-	(28,465)
Disposals	(9,846,941)	(907,248)	-	-	(10,754,189)
Exchange differences	(69,475)	91,017	-	(294)	21,248
31 December 2014	$249,711,339	$74,393,081	$12,437,283	$1,795,276	$338,336,979

	Land	Buildings	Construction	Prepayments for buildings	Total
1 January 2013	$196,322,457	$45,611,540	$7,519,477	$1,581,767	$251,035,241
Additions from acquisitions	-	2,413	6,871,117	3,591,688	10,465,218
Additions from subsequent expenditure	-	-	1,332,315	-	1,332,315
Transfers from property and equipment	13,561,692	6,619,591	(15,197)	-	20,166,086
Transfers from (to) investment property under construction and prepayments for buildings and land	5,305	137,590	(137,590)	(5,305)	-
Gains(losses) generated from fair value adjustments	9,824,639	(589,800)	-	-	9,234,839
Disposal	-	(3,949)	-	-	(3,949)
Exchange differences	-	79,845	-	5,002	84,847
31 December 2013	$219,714,093	$51,857,230	$15,570,122	$5,173,152	$292,314,597

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Rental income from investment properties	$7,439,270	$6,452,389
Less: Direct operating expense from investment properties generating rental income	(348,247)	(282,100)
Direct operating expense from investment properties not generating rental income	(97,110)	(99,899)
Total	$6,993,913	$6,070,390

(1) Cathay Life and its subsidiaries' valuation has been performed by appraisers from professional valuation agencies based on Regulations on Real Estate Appraisal, and valuation dates are 31 December 2014, 31 December 2013, and 1 January 2013. 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.

The inputs used are as follows:

	2014.12.31	2013.12.31	2013.1.1
	Mainly	Mainly	Mainly
Direct capitalization rate (Net)	1.5%~4.8%	1.5%~4.8%	1.5%~4.8%
Discount rate	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 China Real Estate Apprasing Firm (Yufen Ye and Jingsheng Huang) to evaluate the fair value of investment property based on the "Regulations on Real Estate Appraisal" on 31 December 2014.

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 31 December 2013 and 31 January 2013.

The fair value has been determined by discounted cash flow (DCF) 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 same 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.

The replacement allowance is based on 0.5% to 1.5% of construction or building cost, 15% of which is material repairment engineering fee, under the assumption of 20 useful years, according to the ROC Real Estate Appraisers Association Gazette No.5.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

The main parameters are as follows:

	2014.12.31	2013.12.31	2013.1.1
Discounted rates	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.

	2014.12.31	2013.12.31	2013.1.1
Rate of return	25%	18%~20%	18%~20%
Overall capital interest rate	23.05%	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) Cathay Futures appointed appraisers from Elite Appraisers Firm (Guo-Shi Wu) to evaluate the fair value of investment property based on the “Regulations on Real Estate Appraisal” on 31 December 2014, 31 December 2013, and 31 January 2013.

Fair value has been supported by observable evidences in the market. The appraisal approaches used are mainly the comparison approach and direct capitalization method of income approach. Commercial office buildings are valued using comparison approach and income approach mostly because of the market liquidity and comparable sales and rental cases in neighboring areas.

The parameters used are as followed:

	2014.12.31	2013.12.31	2013.1.1
Direct Capitalization rate (net)	2.50%	2.50%	2.50%
Discount Rate	2.225%	2.225%	2.225%

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

(5) All the lease agreements of the Group’s lease business are operating leases. The primary terms of lease agreements are the same with general lease agreement.

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

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

15. Property and equipment

	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate	Total
Cost:									
1 January 2014	$72,197,071	$44,887,942	$7,335,567	$114,673	$10,375,536	$398,867	$423,217	$768,297	$136,501,170
Additions	-	610	289,631	2,751	393,289	48,022	-	641,202	1,375,505
Transfers	(8,615,183)	(1,107,923)	77,767	23,818	362,436	(345)	-	(665,230)	(9,924,660)
Disposal	(16,717)	(7,237)	(463,655)	(18,489)	(188,378)	(1,844)	-	-	(696,320)
Exchange difference	7,665	42,051	30,649	4,429	12,294	8,847	-	8,697	114,632
31 December 2014	$63,572,836	$43,815,443	$7,269,959	$127,182	$10,955,177	$453,547	$423,217	$752,966	$127,370,327
1 January 2013	$76,637,864	$50,726,101	$7,093,302	$124,337	$10,766,484	$311,354	$275,652	$425,810	$146,360,904
Additions	9,259	67,397	583,539	4,491	338,159	102,393	147,565	808,441	2,061,244
Transfers	(4,453,439)	(5,557,534)	84,392	(80)	125,648	(3,593)	-	(469,967)	(10,274,573)
Disposal	(142)	(465,512)	(455,496)	(16,387)	(166,581)	(22,491)	-	-	(1,126,609)
Reclassification	-	-	-	-	(695,035)	(406)	-	-	(695,441)
Exchange difference	3,529	117,490	29,830	2,312	6,861	11,610	-	4,013	175,645
31 December 2013	$72,197,071	$44,887,942	$7,335,567	$114,673	$10,375,536	$398,867	$423,217	$768,297	$136,501,170

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate	Total
Depreciation and impairment:									
1 January 2014	$105,610	$17,621,796	$6,214,639	$85,461	$8,721,079	$254,227	$103,995	$-	$33,106,807
Depreciation	-	1,104,096	425,480	10,483	508,128	47,648	105,803	-	2,201,638
Transfers	-	(193,701)	-	-	345	(345)	-	-	(193,701)
Disposal	-	(4,832)	(464,389)	(13,289)	(183,718)	(1,354)	-	-	(667,582)
Other	-	-	-	-	(1)	39	-	-	38
Exchange difference	-	5,962	21,455	3,597	7,442	7,043	(1)	-	45,498
31 December 2014	$105,610	$18,533,321	$6,197,185	$86,252	$9,053,275	$307,258	$209,797	$-	$34,492,698
1 January 2013	$105,610	$17,406,774	$6,138,136	$89,828	$8,910,897	$220,281	$28,714	$-	$32,900,240
Depreciation	-	1,344,092	508,859	9,042	553,708	44,170	75,281	-	2,535,152
Transfers	-	(807,571)	14,356	37	(4,165)	-	-	-	(797,343)
Disposal	-	(324,368)	(427,574)	(14,880)	(139,331)	(18,933)	-	-	(925,086)
Reclassification	-	-	-	-	(605,422)	-	-	-	(605,422)
Exchange difference	-	2,869	(19,138)	1,434	5,392	8,709	-	-	(734)
31 December 2013	$105,610	$17,621,796	$6,214,639	$85,461	$8,721,079	$254,227	$103,995	$-	$33,106,807
31 December 2014	$63,467,226	$25,282,122	$1,072,774	$40,930	$1,901,902	$146,289	$213,420	$752,966	$92,877,629
31 December 2013	$72,091,461	$27,266,146	$1,120,928	$29,212	$1,654,457	$144,640	$319,222	$768,297	$103,394,363
1 January 2013	$76,532,254	$33,319,327	$955,166	$34,509	$1,855,587	$91,073	$246,938	$425,810	$113,460,664

(1) No property and equipment were pledged as collaterals.

(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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

16. Intangible assets

	Goodwill	Computer software	Total
Cost:			
1 January 2014	$8,579,854	$3,504,443	$12,084,297
Addition-individual acquisition	-	236,461	236,461
Reduction	-	(105,593)	(105,593)
Transfer	-	124,665	124,665
Exchange difference	18,688	14,422	33,110
31 December 2014	$8,598,542	$3,774,398	$12,372,940
1 January 2013	$8,571,250	$3,552,107	$12,123,357
Addition-individual acquisition	-	158,393	158,393
Reduction	-	(236,494)	(236,494)
Transfer	-	46,244	46,244
Transfer out by losing control on susidiaries		(30,188)	(30,188)
Exchange difference	8,604	14,381	22,985
31 December 2013	$8,579,854	$3,504,443	$12,084,297
Amortization and impairment:			
1 January 2014	$-	$(2,860,865)	$(2,860,865)
Amortization	-	(323,391)	(323,391)
Reduction	-	105,593	105,593
Transfer	-	-	-
Exchange difference	-	(11,252)	(11,252)
31 December 2014	$-	$(3,089,915)	$(3,089,915)
Amortization and impairment:			
1 January 2013	$-	$(2,730,350)	$(2,730,350)
Amortization	-	(371,027)	(371,027)
Reduction	-	232,593	232,593
Transfer	-	(12,356)	(12,356)
Transfer out by losing control on susidiaries	-	28,328	28,328
Exchange difference	-	(8,053)	(8,053)
31 December 2013	$-	$(2,860,865)	$(2,860,865)
Net Book value:			
31 December 2014	$8,598,542	$684,483	$9,283,025
31 December 2013	$8,579,854	$643,578	$9,223,432
1 January 2013	$8,571,250	$821,757	$9,393,007

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Cathay United Bank's 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.

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

j 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).

k 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:

Cathay United Bank 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

	2014.12.31	2013.12.31	2013.1.1
Derivative financial instruments	$74,723,447	$27,290,672	$7,582,664
Bond Investment	32,746,635	497,002	-
Security lending payables hedging	216,578	147,557	287,312
Security lending payables non-hedging	599,494	819,390	1,216,370
Total	$108,286,154	$28,754,621	$9,086,346

18. Commercial paper payables

	2014.12.31	2013.12.31	2013.1.1
Commercial paper payable	$26,790,000	$10,050,000	$5,540,000
Less: Discount on commercial paper payable	-	-	-
Total	$26,790,000	$10,050,000	$5,540,000
Average interest rates	0.65%~1.25%	0.60%~0.97%	0.74%~0.93%

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

19. Deposits

	2014.12.31	2013.12.31	2013.1.1
Check deposits	$16,489,217	$16,080,928	$15,963,648
Demand deposits	314,453,948	294,045,326	249,757,411
Demand savings deposits	679,422,104	618,233,159	577,491,231
Time deposits	352,091,559	346,982,469	322,997,815
Negotiable Certificates of Deposit	5,290,200	6,271,400	6,922,200
fixed savings deposits	332,579,141	302,030,267	283,700,913
Remittances	1,975,974	1,387,452	1,559,758
Total	$1,702,302,143	$1,585,031,001	$1,458,392,976

20. Bonds payable

	2014.12.31	2013.12.31	2013.1.1
Subordinated bonds payable-net	$40,000,000	$40,000,000	$40,000,000
Convertible bonds	-	-	7,412,199
Discount on convertible bonds	-	-	(99,823)
Subordinated financial debentures	67,283,839	51,705,031	41,438,544
Discount on financial debentures	(8,417)	(16,366)	(23,666)
Valuation adjustment	338,527	728,548	1,103,753
Total	$107,613,949	$92,417,213	$89,831,007

(1) The Company recognized discount amortization expense of the second Euro convertible bonds issued by the Company on 14 August 2012 in the amount of $55,116 thousand for the year ended 31 December 2013. Loss on valuation of financial liabilities $1,685,577 thousand and loss on disposal of financial liabilities $85,139 thousand, 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.

On conversion of a convertible bond before maturity at 11 October 2013 of conversion is transferred to common stock 1,011,703 shares and the conversion price was set at $35.51 per share. On 8 November 2013, the Company distributed share dividends $0.678 dollars per share, resulting in a decrease in the exercise price of the second Unsecured Euro-Convertible bonds from $35.51 dollars to $33.26 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 thousand subordinated financial debenture with a stated interest rate of 5.5% on 5 October 2005, and the interest is payable semiannually. Cathay United Bank can redeem the bond after 10 years by exercising the call option. Cathay United Bank has adopted hedge accounting to account for its subordinated financial debentures. Cathay United Bank 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 $1,200,000 thousand 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 $1,000,000 thousand 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 $2,800,000 thousand with a stated interest rate of 2.95% in October 2008, and the interest is payable quarterly.

(6) On December 8, 2008, the Company issued a seven-year subordinated bond totaling $20,000,000 thousand with a stated interest rate of 3.10%. The subordinated bonds and repayable at maturity and the interest is payable annually.

(7) Cathay United Bank issued an eight-year subordinated financial debentures totaling $3,650,000 thousand with a stated interest rate of 2.42% in June 2009, and the interest is payable quarterly.

(8) Cathay United Bank issued a ten-year subordinated financial debentures totaling $1,500,000 thousand with a stated interest rate of 2.60% in July 2009, and the interest is payable quarterly.

(9) On September 16, 2009, the Company issued a seven-year subordinated bond totaling $20,000,000 thousand with a stated interest rate of 2.65%. The subordinated bonds and repayable at maturity and the interest is payable annually.

(10) Cathay United Bank issued a seven-year subordinated financial debentures totaling $3,850,000 thousand with a stated interest rate of 1.65% in March 2011, and the interest is payable quarterly.

(11) Cathay United Bank issued a ten-year subordinated financial debentures totaling $1,500,000 thousand with a stated interest rate of 1.72% in March 2011, and the interest is payable quarterly.

(12) Cathay United Bank issued a seven-year subordinated financial debentures totaling $3,900,000 thousand with a stated interest rate of 1.65% in June 2011, and the interest is payable quarterly.

(13) Cathay United Bank issued a ten-year subordinated financial debentures totaling $2,500,000 thousand with a stated interest rate of 1.72% in June 2011, and the interest is payable quarterly.

(14) Cathay United Bank issued a seven-year subordinated financial debentures totaling $200,000 thousand with a stated interest rate of 1.48% in June 2012, and the interest is payable annually.

(15) Cathay United Bank issued a ten-year subordinated financial debentures totaling $4,200,000 thousand with a stated interest rate of 1.65% in June 2012, and the interest is payable annually.

(16) Cathay United Bank issued a ten-year subordinated financial debentures totaling $5,600,000 thousand with a stated interest rate of 1.65% in August 2012, and the interest is payable annually.

(17) Cathay United Bank issued a seven-year subordinated financial debentures totaling $100,000 thousand with a stated interest rate of 1.55% in April 2013, and the interest is payable annually.

(18) Cathay United Bank issued a ten-year subordinated financial debentures totaling $9,900,000 thousand with a stated interest rate of 1.70% in April 2013, and the interest is payable annually.

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(19) Cathay United Bank issued a seven-year subordinated financial debentures totaling $3,000,000 thousand with a stated interest rate of 1.70% in May 2014, and the interest is payable annually.

(20) Cathay United Bank issued a ten-year subordinated financial debentures totaling $12,000,000 thousand with a stated interest rate of 1.85% in May 2014, and the interest is payable annually.

(21) 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

	2014.12.31	2013.12.31	2013.1.1
Separate account insurance products-liabilities	$462,266,776	$376,252,736	$329,557,246
Principle received from the sale of structured products	79,842,351	36,113,309	17,340,691
Borrowed funds	-	31,849	85,500
Other financial liabilities	1,170,866	1,016,323	1,246,500
Total	$543,279,993	$413,414,217	$348,229,937

22. Provisions

	2014.12.31	2013.12.31	2013.1.1
Unearned premium reserve	$25,153,080	$23,779,676	$22,176,220
Reserve for life insurance liabilities	3,628,127,330	3,298,323,062	2,993,462,480
Special reserve	39,061,396	49,775,293	59,874,744
Reserve for claims	12,845,393	10,682,607	10,356,844
Premium deficiency reserve	17,494,328	19,872,859	17,198,784
Reserve for insurance contracts with feature of financial instruments	55,094,699	57,596,449	61,350,872
Foreign exchange volatility reserve	16,846,406	10,482,181	4,270,856
Reserve for Guarantees	121,414	24,892	24,892
Reserve for employee benefits liabilities	5,946,030	5,959,721	5,813,917
Contingent liabilities reserve	814,154	921,412	1,158,682
Other operating reserve	22,680	22,680	-
Total	$3,801,526,910	$3,477,440,832	$3,175,688,291

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(1) Life insurance subsidiaries

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

A. Reserve for life insurance liabilities:

	2014.12.31			2013.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$3,180,066,364	$6,423,897	$3,186,490,261	$2,830,815,643	$41,698,426	$2,872,514,069
Injury insurance	7,962,275	-	7,962,275	7,948,252	-	7,948,252
Health insurance	367,711,484	-	367,711,484	317,416,493	-	317,416,493
Annuity insurance	1,329,511	63,532,669	64,862,180	1,230,168	98,089,349	99,319,517
Investment-linked insurance	1,037,838	-	1,037,838	1,061,439	-	1,061,439
Recover from major incident reserve	63,292	-	63,292	63,292	-	63,292
Total	3,558,170,764	69,956,566	3,628,127,330	$3,158,535,287	$139,787,775	$3,298,323,062
Less ceded reserve for life insurance liabilities :						
Life insurance	74,461	-	74,461			
Net	$3,558,096,303	$69,956,566	$3,628,052,869			

	2013.1.1		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$2,543,865,959	$44,435,855	$2,588,301,814
Injury insurance	7,888,169	-	7,888,169
Health insurance	270,572,717	-	270,572,717
Annuity insurance	1,226,217	124,300,017	125,526,234
Investment-linked insurance	1,110,254	-	1,110,254
Recover from major incident reserve	63,292	-	63,292
Total	$2,824,726,608	$168,735,872	$2,993,462,480

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Reserve for life insurance liabilities is summarized below:

	2014.1.1~2014.12.31			2013.1.1~2013.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$3,158,535,287	$139,787,775	$3,298,323,062	$2,824,726,608	$168,735,872	$2,993,462,480
Reserve	509,056,913	2,235,574	511,292,487	441,189,747	13,042,010	454,231,757
Recover	(136,938,772)	(71,884,429)	(208,823,201)	(113,727,355)	(41,077,350)	(154,804,705)
Losses(gains) on foreign exchange	27,517,336	(182,354)	27,334,982	6,346,287	(912,757)	5,433,530
Ending balance	3,558,170,764	69,956,566	3,628,127,330	$3,158,535,287	$139,787,775	$3,298,323,062
Less ceded reserve for life insurance liabilities :						
Beginning balance (net)						
Increase	74,461	-	74,461			
Ending balance (net)	74,461	-	74,461			
Total	$3,558,096,303	$69,956,566	$3,628,052,869			

B. Unearned premium reserve:

	2014.12.31			2013.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$425,156	$-	$425,156	$354,815	$-	$354,815
Individual injury insurance	4,869,670	-	4,869,670	4,695,925	-	4,695,925
Individual health insurance	6,799,997	-	6,799,997	6,457,104	-	6,457,104
Group insurance	996,645	-	996,645	946,897	-	946,897
Investment-linked insurance	111,399	-	111,399	111,466	-	111,466
Total	13,202,867	-	13,202,867	12,566,207	-	12,566,207
Less ceded unearned premium reserve:						
Individual life insurance	126,985	-	126,985	132,364	-	132,364
Individual injury insurance	3,395	-	3,395	151,009	-	151,009
Individual health insurance	3,066	-	3,066	6,151	-	6,151
Group insurance	4,468	-	4,468	32,458	-	32,458
Total	137,914	-	137,914	321,982	-	321,982
Net	$13,064,953	$-	$13,064,953	$12,244,225	$-	$12,244,225

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.1.1		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$286,321	$-	$286,321
Individual injury insurance	4,536,860	-	4,536,860
Individual health insurance	6,137,375	-	6,137,375
Group insurance	1,025,604	-	1,025,604
Investment-linked insurance	118,616	-	118,616
Total	12,104,776	-	12,104,776
Less ceded unearned premium reserve:			
Individual life insurance	3,686,674	-	3,686,674
Individual injury insurance	4,690,485	-	4,690,485
Individual health insurance	2,862	-	2,862
Group insurance	4,260	-	4,260
Total	8,384,281	-	8,384,281
Net	$3,720,495	$-	$3,720,495

Unearned premium reserve is summarized below:

	2014.1.1~2014.12.31			2013.1.1~2013.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$12,566,207	$-	$12,566,207	$12,104,776	$-	$12,104,776
Reserve	13,258,571	-	13,258,571	12,605,216	-	12,605,216
Recover	(12,630,726)	-	(12,630,726)	(12,158,408)	-	(12,158,408)
Losses(gains) on foreign exchange	8,815	-	8,815	14,623	-	14,623
Ending balance	13,202,867	-	13,202,867	12,566,207	-	12,566,207
Less ceded unearned premium reserve:						
Beginning balance-Net	321,982	-	321,982	8,384,281	-	8,384,281
Increase	-	-	-	30,477	-	30,477
Decrease	(184,264)	-	(184,264)	(8,094,077)	-	(8,094,077)
Losses(gains) on foreign exchange	196	-	196	1,301	-	1,301
Total	137,914	-	137,914	321,982	-	321,982
Ending balance-Net	$13,064,953	$-	$13,064,953	$12,244,225	$-	$12,244,225

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

C. Reserve for claims:

	2014.12.31			2013.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$112,000	797	$112,797	$120,787	$1,091	$121,878
－Unreported claim	58,655	-	58,655	55,499	-	55,499
Individual injury insurance						
－Reported but not paid claim	100,465	-	100,465	104,922	-	104,922
－Unreported claim	1,219,643	-	1,219,643	1,136,476	-	1,136,476
Individual health insurance						
－Reported but not paid claim	143,747	-	143,747	161,210	-	161,210
－Unreported claim	1,844,235	-	1,844,235	1,668,718	-	1,668,718
Group insurance						
－Reported but not paid claim	76,193	-	76,193	133,679	-	133,679
－Unreported claim	1,129,083	-	1,129,083	1,254,846	-	1,254,846
Investment-linked insurance						
－Reported but not paid claim	5,820	-	5,820	3,856	-	3,856
Total	4,689,841	797	4,690,638	4,639,993	1,091	4,641,084
Less ceded reserve for claims:						
Individual injury insurance	17,456	-	17,456	16,875	-	16,875
Net	$4,672,385	$797	$4,673,182	$4,623,118	$1,091	$4,624,209

	2013.1.1		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$110,006	$797	$110,803
－Unreported claim	52,108	-	52,108
Individual injury insurance			
－Reported but not paid claim	150,906	-	150,906
－Unreported claim	1,027,670	-	1,027,670
Individual health insurance			
－Reported but not paid claim	127,591	-	127,591
－Unreported claim	1,542,886	-	1,542,886
Group insurance			
－Reported but not paid claim	102,306	-	102,306
－Unreported claim	1,432,384	-	1,432,384
Investment-linked insurance			
－Reported but not paid claim	4,600	-	4,600
Total	4,550,457	797	4,551,254
Less ceded reserve for claims:			
Individual injury insurance	780,831	-	780,831
Individual life insurance	523	-	523
Net	$3,769,103	$797	$3,769,900

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Reserve for claims is summarized below:

	2014.1.1~2014.12.31			2013.1.1~2013.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$4,639,993	$1,091	$4,641,084	$4,550,457	$797	$4,551,254
Reserve	4,646,802	797	4,647,599	4,710,771	1,091	4,711,862
Recover	(4,609,468)	(1,091)	(4,610,559)	(4,645,854)	(797)	(4,646,651)
Losses(gains) on foreign exchange	12,514	-	12,514	24,619	-	24,619
Ending balance	4,689,841	797	4,690,638	4,639,993	1,091	4,641,084
Less ceded reserve for claims:						
Beginning balance-Net	16,875	-	16,875	781,354	-	781,354
Increase	17	-	17	15,861	-	15,861
Decrease	-	-	-	(780,831)	-	(780,831)
Losses(gains) on foreign exchange	564	-	564	491	-	491
Total	17,456	-	17,456	16,875	-	16,875
Net	$4,672,385	$797	$4,673,182	$4,623,118	$1,091	$4,624,209

D. Special reserve:

	2014.12.31				2013.12.31			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Participating policies dividends reserve	$1,631	$-	$-	$1,631	$1,931	$-	$-	$1,931
Special reserve for revaluation increments of property	-	-	35,416,619	35,416,619	-	-	45,416,619	45,416,619
Others	4,008	-	-	4,008	1,751	-	-	1,751
Total	$5,639	$-	$35,416,619	$35,422,258	$3,682	$-	$45,416,619	$45,420,301

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.1.1			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Participating policies dividends reserve	$1,970	$-	$-	$1,970
Special reserve for revaluation increments of property	-	-	55,416,619	55,416,619
Others	517	-	-	517
Total	$2,487	$-	$55,416,619	$55,419,106

Special reserve is summarized below:

	2014.1.1~2014.12.31				2013.1.1~2013.12.31			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	$3,682	$-	$45,416,619	$45,420,301	$2,487	$-	$55,416,619	$55,419,106
Reserves for participating policies dividends reserve	3,138	-	-	3,138	2,377	-	-	2,377
Recover from participating policies dividends reserve	(1,317)	-	-	(1,317)	(1,195)	-	-	(1,195)
Special reserve for revaluation increments of property (Note)	-	-	(10,000,000)	(10,000,000)	-	-	(10,000,000)	(10,000,000)
Exchange difference	136	-	-	136	13	-	-	13
Ending balance	$5,639	$-	$35,416,619	$35,422,258	$3,682	$-	$45,416,619	$45,420,301

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 2014 and 2013 is NT $10 billion.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

E. Premium deficiency reserve:

	2014.12.31			2013.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$16,583,715	$-	$16,583,715	$19,012,225	$-	$19,012,225
Individual health insurance	710,087	-	710,087	615,791	-	615,791
Group insurance	762	-	762	1,237	-	1,237
Total	$17,294,564	$-	$17,294,564	$19,629,253	$-	$19,629,253

	2013.1.1		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$16,389,516	$-	$16,389,516
Individual health insurance	690,546	-	690,546
Group insurance	41,573	-	41,573
Total	$17,121,635	$-	$17,121,635

Premium deficiency reserve is summarized below:

	2014.1.1~2014.12.31			2013.1.1~2013.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$19,629,253	$-	$19,629,253	$17,121,635	$-	$17,121,635
Reserve	632,928	-	632,928	2,762,327	-	2,762,327
Recover	(3,450,567)	-	(3,450,567)	(446,571)	-	(446,571)
Losses(gains) on foreign exchange	482,950	-	482,950	191,862	-	191,862
Ending balance	$17,294,564	$-	$17,294,564	$19,629,253	$-	$19,629,253

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

F. Liability adequacy reserve

	Insurance contract and financial instruments with discretionary participation feature		
	2014.12.31	2013.12.31	2013.1.1
Reserve for life insurance liabilities	$3,628,127,330	$3,298,323,062	$2,993,462,480
Unearned premium reserve	13,202,867	12,566,207	12,104,776
Premium deficiency reserve	17,294,564	19,629,253	17,121,635
Total	$3,658,624,761	$3,330,518,522	$3,022,688,891
Book value of insurance liabilities	$3,658,624,761	$3,330,518,522	$3,022,688,891
Estimated present value of cash flows	$2,940,198,715	$2,611,105,371	$2,176,699,004
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:

	2014.12.31	2013.12.31	2013.1.1
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 December 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.	(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.	(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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

	2014.12.31	2013.12.31	2013.1.1
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 December 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.	(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.	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 December 2012. (2) Discount rate: Discount rates are calculated using the best estimated scenario investment return based on the actuary report of 2011, with neutral assumption for discount rates after 30 years.

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

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

	2014.12.31	2013.12.31	2013.1.1
Life insurance	$55,090,662	$57,595,990	$61,350,872
Investment-linked insurance	4,037	459	-
Total	$55,094,699	$57,596,449	$61,350,872

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Beginning balance	$57,596,449	$61,350,872
Premiums (returned) received	1,005,419	1,312,323
Insurance claim payments	(3,880,849)	(4,995,302)
Net provision of statutory reserve	213,278	(343,325)
Losses(gains) on foreign exchange	160,402	271,881
Ending balance	$55,094,699	$57,596,449

H. Foreign exchange volatility reserve

(A) The hedge strategy and risk exposure:

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

(B) Adjustment in foreign exchange volatility reserve:

	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Beginning balance	$10,482,181	$4,270,856
Reserve:		
Compulsory reserve	2,963,064	2,293,471
Extra reserve	6,779,064	4,933,651
Subtotal	9,742,128	7,227,122
Recover	(3,377,903)	(1,015,797)
Total	$16,846,406	$10,482,181

(C) Effects due to foreign exchange volatility reserve:

2014.1.1~2014.12.31			
Item	Inapplicable amount (1)	Applicable amount (2)	Effects (3)= (2) - (1)
Consolidated income	$55,066,944	$49,784,637	$(5,282,307)
Earnings per share	4.36	3.94	(0.42)
Foreign exchange volatility reserve	-	16,846,406	16,846,406
Equity	448,559,032	438,320,982	(10,238,050)

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.1.1~2013.12.31			
Item	Inapplicable amount (1)	Applicable amount (2)	Effects (3)= (2) - (1)
Consolidated income	$43,175,772	$38,020,372	$(5,155,400)
Earnings per share	3.55	3.12	(0.43)
Foreign exchange volatility reserve	-	10,482,181	10,482,181
Equity	384,465,945	379,510,202	(4,955,743)

(2) Century Insurance subsidiaries

A. Unearned premiums reserve

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

	2014.12.31			
	Unearned premium reserve		Ceded unearned premium reserve	
Item	Direct business	Assumed reinsurance business	Ceded reinsurance business	Retained business
Fire insurance	$2,025,128	$71,770	$996,886	$1,100,012
Marine insurance	118,522	10,068	86,749	41,841
Land and air insurance	4,239,833	5,254	321,346	3,923,741
Liability insurance	517,552	993	154,925	363,620
Bonding insurance	44,930	897	24,523	21,304
Other property insurance	1,386,263	25,124	553,326	858,061
Accident insurance	1,615,214	2,378	74,098	1,543,494
Health insurance	44,108	-	-	44,108
Compulsory automobile liability insurance	1,641,103	201,076	538,566	1,303,613
Total	$11,632,653	$317,560	$2,750,419	$9,199,794

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.12.31			
	Unearned premium reserve		Ceded unearned premium reserve	
Item	Direct business	Assumed reinsurance business	Ceded reinsurance business	Retained business
Fire insurance	$2,026,423	$54,083	$964,076	$1,116,430
Marine insurance	139,775	14,955	104,044	50,686
Land and air insurance	3,590,802	8,625	178,898	3,420,529
Liability insurance	538,568	597	166,651	372,514
Bonding insurance	35,730	722	18,958	17,494
Other property insurance	1,477,530	30,213	475,846	1,031,897
Accident insurance	1,510,910	2,591	71,337	1,442,164
Health insurance	48,879	-	156	48,723
Compulsory automobile liability insurance	1,544,803	188,263	515,124	1,217,942
Total	$10,913,420	$300,049	$2,495,090	$8,718,379

	2013.1.1			
	Unearned premium reserve		Ceded unearned premium reserve	
Item	Direct business	Assumed reinsurance business	Ceded reinsurance business	Retained business
Fire insurance	$2,100,879	$56,882	$916,559	$1,241,202
Marine insurance	241,010	17,432	209,087	49,355
Land and air insurance	2,926,171	13,196	161,337	2,778,030
Liability insurance	514,215	173	171,208	343,180
Bonding insurance	26,491	537	9,156	17,872
Other property insurance	1,152,073	15,942	514,617	653,398
Accident insurance	1,529,451	3,976	84,690	1,448,737
Health insurance	88,102	-	1,154	86,948
Compulsory automobile liability insurance	1,198,010	186,904	479,228	905,686
Total	$9,776,402	$295,042	$2,547,036	$7,524,408

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

Item	2014.1.1~2014.12.31 Unearned premium reserve	2014.1.1~2014.12.31 Ceded unearned premium reserve	2013.1.1~2013.12.31 Unearned premium reserve	2013.1.1~2013.12.31 Ceded unearned premium reserve
Beginning balance	$11,213,469	$2,495,090	$10,071,444	$2,547,036
Reserve	11,910,320	2,739,108	11,172,233	2,483,170
Recover	(11,212,249)	(2,495,310)	(10,104,776)	(2,539,928)
Effects of exchange rate changes	38,673	11,531	74,568	4,812
Ending balance	$11,950,213	$2,750,419	$11,213,469	$2,495,090

B. Claims reserve

a. Claims reserve and ceded claims reserve

	2014.12.31			
	Claims reserve		Ceded claims reserve	Retained business
Item	Direct business (1)	Assumed reinsurance business (2)	Ceded reinsurance business (3)	(4)=(1)+(2)-(3)
Claims reported but not paid off	$4,073,887	$223,378	$1,329,214	$2,968,051
Unreported claims	3,646,437	211,053	920,459	2,937,031
Total	$7,720,324	$434,431	$2,249,673	$5,905,082

	2013.12.31			
	Claims reserve		Ceded claims reserve	Retained business
Item	Direct business (1)	Assumed reinsurance business (2)	Ceded reinsurance business (3)	(4)=(1)+(2)-(3)
Claims reported but not paid off	$3,886,032	$307,234	$1,350,564	$2,842,702
Unreported claims	1,789,128	59,129	313,203	1,535,054
Total	$5,675,160	$366,363	$1,663,767	$4,377,756

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Item	2013.1.1			
	Claims reserve		Ceded claims reserve	Retained business
	Direct business (1)	Assumed reinsurance business (2)	Ceded reinsurance business (3)	(4)=(1)+(2)-(3)
Claims reported but not paid off	$4,111,890	$293,676	$1,723,922	$2,681,644
Unreported claims	1,362,292	37,732	290,394	1,109,630
Total	$5,474,182	$331,408	$2,014,316	$3,791,274

b. Net changes for claims reserve and ceded claims reserve

Item	2014.1.1~2014.12.31							
	Direct underwriting business		Assumed reinsurance business			Ceded reinsurance business		Net change for ceded claims reserve
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)	Net change for claims reserve (5)=(1)-(2)+(3)-(4)	Reserve (6)	Recover (7)	(8)=(6)-(7)
Claims reported but not paid off	$4,032,021	$3,886,167	$223,378	$307,234	$61,998	$1,310,527	$1,351,511	$(40,984)
Unreported claims	3,627,798	1,788,532	211,003	59,116	1,991,153	916,688	313,099	603,589
Total	$7,659,819	$5,674,699	$434,381	$366,350	$2,053,151	$2,227,215	$1,664,610	$562,605

Item	2013.1.1~2013.12.31							
	Direct underwriting business		Assumed reinsurance business			Ceded reinsurance business		Net change for ceded claims reserve
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)	Net change for claims reserve (5)=(1)-(2)+(3)-(4)	Reserve (6)	Recover (7)	(8)=(6)-(7)
Claims reported but not paid off	$3,865,122	$4,125,832	$307,234	$293,677	$(247,153)	$1,346,448	$1,728,657	$(382,209)
Unreported claims	1,778,041	1,370,391	58,901	39,583	426,968	310,964	292,295	18,669
Total	$5,643,163	$5,496,223	$366,135	$333,260	$179,815	$1,657,412	$2,020,952	$(363,540)

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

	2014.12.31		
	Claims reserve		
Item	Claim reported but not paid off	Unreported claims	Total
Fire insurance	$1,146,481	$89,187	$1,235,668
Marine insurance	394,186	114,198	508,384
Land and air insurance	932,619	796,653	1,729,272
Liability insurance	274,039	509,388	783,427
Bonding insurance	21,842	45,469	67,311
Other property insurance	762,712	278,066	1,040,778
Accident insurance	87,839	468,766	556,605
Health insurance	4,820	46,612	51,432
Compulsory automobile liability insurance	672,727	1,509,151	2,181,878
Total	$4,297,265	$3,857,490	$8,154,755

	2013.12.31		
	Claims reserve		
Item	Claim reported but not paid off	Unreported claims	Total
Fire insurance	$859,480	$134,727	$994,207
Marine insurance	621,182	176,133	797,315
Land and air insurance	820,143	620,039	1,440,182
Liability insurance	259,018	281,177	540,195
Bonding insurance	19,789	1,837	21,626
Other property insurance	654,657	189,141	843,798
Accident insurance	67,805	350,047	417,852
Health insurance	6,149	44,518	50,667
Compulsory automobile liability insurance	885,043	50,638	935,681
Total	$4,193,266	$1,848,257	$6,041,523

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.1.1		
	Claims reserve		
Item	Claim reported but not paid off	Unreported claims	Total
Fire insurance	$1,338,560	$19,362	$1,357,922
Marine insurance	794,556	159,313	953,869
Land and air insurance	690,396	491,381	1,181,777
Liability insurance	249,023	226,183	475,206
Bonding insurance	19,834	14,294	34,128
Other property insurance	487,486	145,645	633,131
Accident insurance	68,515	284,938	353,453
Health insurance	6,816	39,229	46,045
Compulsory automobile liability insurance	750,380	19,679	770,059
Total	$4,405,566	$1,400,024	$5,805,590

d. Reinsurance asset- ceded claims reserve for policyholder

	2014.12.31		
	Ceded claims reserve		
Item	Claim reported but not paid off	Unreported claims	Total
Fire insurance	$481,509	$24,965	$506,474
Marine insurance	223,098	81,827	304,925
Land and air insurance	50,179	23,399	73,578
Liability insurance	71,772	146,934	218,706
Bonding insurance	18,239	32,972	51,211
Other property insurance	327,003	50,747	377,750
Accident insurance	8,024	51,615	59,639
Health insurance	-	(315)	(315)
Compulsory automobile liability insurance	149,390	508,315	657,705
Total	$1,329,214	$920,459	$2,249,673

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Item	2013.12.31 Ceded claims reserve: Claim reported but not paid off	Unreported claims	Total
Fire insurance	$286,597	$32,707	$319,304
Marine insurance	439,425	121,983	561,408
Land and air insurance	61,353	17,045	78,398
Liability insurance	71,041	89,780	160,821
Bonding insurance	18,180	695	18,875
Other property insurance	181,717	13,811	195,528
Accident insurance	5,034	28,494	33,528
Health insurance	-	692	692
Compulsory automobile liability insurance	287,217	7,996	295,213
Total	$1,350,564	$313,203	$1,663,767

Item	2013.1.1 Ceded claims reserve: Claim reported but not paid off	Unreported claims	Total
Fire insurance	$556,200	$3,430	$559,630
Marine insurance	614,236	133,937	748,173
Land and air insurance	42,156	11,765	53,921
Liability insurance	68,341	76,629	144,970
Bonding insurance	18,225	5,719	23,944
Other property insurance	152,278	18,356	170,634
Accident insurance	6,829	31,650	38,479
Health insurance	75	1,398	1,473
Compulsory automobile liability insurance	265,582	7,510	273,092
Total	$1,723,922	$290,394	$2,014,316

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

e. Reconciliation statement of claims reserve and ceded claims reserve

Item	2014.1.1~2014.12.31 Claims reserve	2014.1.1~2014.12.31 Ceded claims reserve	2013.1.1~2013.12.31 Claims reserve	2013.1.1~2013.12.31 Ceded claims reserve
Beginning balance	$6,041,523	$1,663,767	$5,805,590	$2,014,316
Reserve	8,094,200	2,227,215	6,009,298	1,657,412
Recover	(6,041,049)	(1,664,610)	(5,829,483)	(2,020,952)
Effects of exchange rate changes	60,081	23,301	56,118	12,991
Ending balance	$8,154,755	$2,249,673	$6,041,523	$1,663,767

C. Special reserve

a. Special reserve - Compulsory automobile liability insurance

Item	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Beginning balance	$2,225,672	$2,307,591
Reserve	47,505	260,936
Recover	(744,632)	(342,855)
Ending balance	$1,528,545	$2,225,672

b. Special reserve - Non-compulsory automobile liability insurance

	Liability					
	2014.1.1~2014.12.31			2013.1.1~2013.12.31		
Item	Major incidents	Fluctuation of risks	Total	Major incidents	Fluctuation of risks	Total
Beginning balance	$543,080	$1,586,240	$2,129,320	$561,807	$1,586,240	$2,148,047
Reserve	-	-	-	-	-	-
Recover	(18,727)	-	(18,727)	(18,727)	-	(18,727)
Ending balance	$524,353	$1,586,240	$2,110,593	$543,080	$1,586,240	$2,129,320

"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 $1,277,740 thousand and special earnings capital under equity decreased $459,135 thousand.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

D. Premiums deficiency reserve

a. Premiums deficiency reserve and ceded premium deficiency reserve

	2014.12.31			
	Premiums deficiency reserve		Ceded premiums deficiency reserve	
Item	Direct business	Assumed reinsurance business	Ceded reinsurance business	Retained business
Fire insurance	$-	$-	$-	$-
Marine insurance	-	7	(1,183)	1,190
Land and air insurance	-	1,095	-	1,095
Liability insurance	14,898	5	2,071	12,832
Bonding insurance	509	-	8	501
Other property insurance	136,975	1	38,582	98,394
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Compulsory automobile liability insurance	46,274	-	-	46,274
Total	$198,656	$1,108	$39,478	$160,286

	2013.12.31			
	Premiums deficiency reserve		Ceded premiums deficiency reserve	
Item	Direct business	Assumed reinsurance business	Ceded reinsurance business	Retained business
Fire insurance	$4,237	$92	$-	$4,329
Marine insurance	160	2	(8,736)	8,898
Land and air insurance	-	377	(329)	706
Liability insurance	27,518	12	3,485	24,045
Bonding insurance	10,288	-	9,698	590
Other property insurance	161,090	424	-	161,514
Accident insurance	-	97	-	97
Health insurance	-	-	-	-
Compulsory automobile liability insurance	39,309	-	-	39,309
Total	$242,602	$1,004	$4,118	$239,488

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.1.1			
	Premiums deficiency reserve		Ceded premiums deficiency reserve	
Item	Direct business	Assumed reinsurance business	Ceded reinsurance business	Retained business
Fire insurance	$6,198	$23	$-	$6,221
Marine insurance	9,322	726	(7,185)	17,233
Land and air insurance	-	9,319	-	9,319
Liability insurance	13,059	10	-	13,069
Bonding insurance	2,204	-	2,096	108
Other property insurance	35,659	435	34	36,060
Accident insurance	-	194	-	194
Health insurance	-	-	-	-
Total	$66,442	$10,707	$(5,055)	$82,204

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

	2014.1.1~2014.12.31								
	Direct underwriting business		Assumed reinsurance business		Net change for premiums deficiency reserve	Ceded reinsurance business		Net change for ceded premiums deficiency reserve	Recognized net loss (gain) for premiums deficiency reserve
Item	Reserve	Recover	Reserve	Recover		Reserve	Recover		
	(1)	(2)	(3)	(4)	(5)=(1)-(2)+(3)-(4)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	$-	$4,229	$-	$92	$(4,321)	$-	$-	$-	$(4,321)
Marine insurance	-	160	7	2	(155)	(1,184)	(8,736)	7,552	(7,707)
Land and air insurance	-	-	1,095	376	719	-	(329)	329	390
Liability insurance	14,392	27,473	5	11	(13,087)	2,001	3,479	(1,478)	(11,609)
Bonding insurance	492	10,288	-	-	(9,796)	7	9,698	(9,691)	(105)
Other property insurance	132,327	160,823	1	425	(28,920)	37,272	-	37,272	(66,192)
Accident insurance	-	-	-	97	(97)	-	-	-	(97)
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	44,704	39,244	-	-	5,460	-	-	-	5,460
Total	$191,915	$242,217	$1,108	$1,003	$(50,197)	$38,096	$4,112	$33,984	$(84,181)

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Item	2013.1.1~2013.12.31								
	Direct underwriting business		Assumed reinsurance business		Net change for premiums deficiency reserve	Ceded reinsurance business		Net change for ceded premiums deficiency reserve	Recognized net loss (gain) for premiums deficiency reserve
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)	(5)=(1)-(2)+(3)-(4)	Reserve (6)	Recover (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	$4,117	$6,352	$89	$24	$(2,170)	$-	$-	$-	$(2,170)
Marine insurance	155	9,329	2	726	(9,898)	(8,737)	(7,182)	(1,555)	(8,343)
Land and air insurance	-	-	377	9,319	(8,942)	(329)	-	(329)	(8,613)
Liability insurance	26,743	13,433	11	10	13,311	3,387	-	3,387	9,924
Bonding insurance	10,285	2,207	-	-	8,078	9,698	2,096	7,602	476
Other property insurance	156,551	36,701	413	448	119,815	-	35	(35)	119,850
Accident insurance	-	-	95	200	(105)	-	-	-	(105)
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	38,201	-	-	-	38,201	-	-	-	38,201
Total	$236,052	$68,022	$987	$10,727	$158,290	$4,019	$(5,051)	$9,070	$149,220

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

Item	2014.1.1~2014.12.31 Premiums deficiency reserve	2014.1.1~2014.12.31 Ceded premiums deficiency reserve	2013.1.1~2013.12.31 Premiums deficiency reserve	2013.1.1~2013.12.31 Ceded premiums deficiency reserve
Beginning balance	$243,606	$4,118	$77,149	$(5,055)
Reserve	193,023	38,096	237,039	4,019
Recover	(243,220)	(4,112)	(78,749)	5,051
Effects of exchange rate changes	6,355	1,376	8,167	103
Ending balance	$199,764	$39,478	$243,606	$4,118

d. Effects for the change of estimation and assumption

Premium deficiency reserve is a measurement of present value for future expenditure. The expected final loss ratio was referred to the data in the past three years, spectacular compensation case and the trend of loss. The expected operation expense ratio was referred to the insurance expense statements in the past three years exclude entertainment expense and membership fee. The actual ratio of return on investment may not be the same as the expected ratio due to the uncertainty of estimation and assumption.

23. Post-employment benefits

(1) Defined contribution plans

The Group adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group 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 oversea subsidiaries and branches made pension contribution to related pension administration entities.

The Group recognized expenses for defined contribution plan amounted to $1,340,578 thousand and $1,289,143 thousand for the year ended 31 December 2014 and 2013, respectively, and recorded as "Employee benefits expenses".

(2) Defined benefit plans

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Pension costs recognized in profit or loss for the years ended 31 December 2013 and 2012:

	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Current period service costs	$490,149	$515,356
Interest cost	315,817	241,416
Expected return on plan assets	(258,071)	(188,167)
Past service cost	(131,672)	(9,549)
Effect of Exchange rate	7,257	(407)
Others	(12,856)	8,669
Total	$410,624	$567,318

The Group recognized expenses for defined benefit plans for the year ended 31 December 2014 and 2013, amounted to $410,624 thousand and $567,318 thousand, respectively, and were recorded as “Employee benefits expenses”.

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

	2014.12.31	2013.12.31	2013.1.1
Defined benefit obligation	$(17,952,591)	$(17,418,915)	$(16,387,745)
Fair value of planned assets	13,611,924	14,472,975	12,050,087
Contribution	(4,340,667)	(2,945,940)	(4,337,658)
Unrecognized pension losses (gains)	(964,907)	(2,381,536)	(843,320)
Book value of accrued pension liabilities	$(5,305,574)	$(5,327,476)	$(5,180,978)

Subsidiary Indovina Bank had accrued pension liabilities amounted to $9,949 thousand on 31 December 2014.

The change in the present value of defined benefit obligation:

	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Beginning balance of defined benefit obligation	$17,418,915	$16,387,745
Current service cost	490,149	515,356
Interest cost	315,817	241,416
Benefits paid	(1,114,719)	(1,037,459)
Actuarial losses (gains)	842,429	1,311,857
Ending balance of defined benefit obligation	$17,952,591	$17,418,915

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

The change in the fair value of planned assets:

	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Beginning fair value of planned assets	$14,472,975	$12,050,087
The expected return of planned assets	258,071	188,167
Contribution from employer	434,861	402,688
Benefits paid	(1,111,456)	(1,027,591)
Actuarial gains (losses)	(442,527)	2,859,624
Ending fair value of planned assets	$13,611,924	$14,472,975

As of 31 December 2014, the Group's defined benefit plan will make a contribution of NT$442,620 thousand within the next 12 months.

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

	Pension plan (%)		
	2014.12.31	2013.12.31	2013.1.1
Cash	23.62	23.31	29.18
Equity instruments	70.95	69.33	62.99
Debt instruments	2.64	3.71	4.00
Others	2.79	3.64	3.83

The actual return on planned assets for the year ended 31 December 2014 and 2013 amounted to (184,490) thousand and 3,047,790 thousand, respectively.

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

	2014.12.31	2013.12.31	2013.1.1
Discount rate	1.75%~2.25%	1.92%~2.00%	1.50%~1.75%
Expected return on planned assets	1.75%~2.25%	1.68%~3.00%	1.54%~3.00%
Expected growth rate of wage	1.50%~3.00%	1.50%~2.50%	1.50%~2.50%

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

	2014.1.1~2014.12.31		2013.1.1~2013.12.31	
	Discounted rate (+0.5%)	Discounted rate (-0.5%)	Discounted rate (+0.5%)	Discounted rate (-0.5%)
The effect on defined benefit obligation	$(1,000,221)	$1,073,497	$(744,298)	$795,781

The amounts related to defined benefit plans for the year ended 31 December 2013 and 2012 are summarized as below:

	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31	2012.1.1~ 2012.12.31
Ending present value of defined benefit obligation	$17,952,591	$17,418,915	$16,387,745
Ending fair value of planned assets	(13,611,924)	(14,472,975)	(12,050,087)
The surplus or shortage of ending planned assets	$4,340,667	$2,945,940	$4,337,658
The experience adjustments of planned liabilities	$397,061	$1,103,797	$748,392
The experience adjustments of planned assets	$(462,301)	$2,894,697	$1,886,128

(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 $315,513 thousand and $294,476 thousand for the year ended 31 December 2014 and 2013, respectively, and recorded as "Employee benefits expenses".

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

24. Common Stock

(1) As of 31 December 2014, 31 December 2013, and 1 January 2013, the authorized share capital amounted to $180,000,000 thousand, $120,000,000 thousand, and $120,000,000 thousand respectively, and the issued share capital amounted to $125,632,102 thousand, $119,649,621 thousand, and $108,653,851 thousand, with 12,563,210 thousand shares, 11,964,962 thousand shares, and 10,865,385 thousand shares, respectively. These shares are common stock with par value of $10.

(2) The recapitalization of undistributed earnings of $5,982,481 thousand by issuing 598,248 thousand shares with par value of $10 was resolved at the Company's shareholders' meeting on 6 June 2014. 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 $10 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 $36 on 12 July 2013. The authorized share capital amounted to $12,708,000 thousand, and the recapitalization record date was 9 September 2013.

(4) The recapitalization of undistributed earnings of $7,465,770 thousand by issuing 746,577 thousand shares with par value of $10 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 Depositary Shares (GDSs).

25. Capital surplus

	2014.12.31	2013.12.31	2013.1.1
Additional paid-in capital	$84,858,972	$85,126,187	$75,948,187
Treasury share transactions	2,539,377	2,539,377	2,539,377
Differences between share price and book value from acquisition or disposal of subsidiaries	29,142	29,142	-
Additional paid-in capital-Employee stock option	203,408	203,408	-
Convertible bonds to convert	1,144,486	1,144,486	-
Others	6,919	20,584	20,584
Total	$88,782,304	$89,063,184	$78,508,148

(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 $88,782,304 thousand, $89,063,184 thousand, and $78,508,148 thousand as of 31 December 2014, 31 December 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 $0 thousand, $267,215 thousand, and $267,215 thousand, and were included in the capital surplus as of 31 December 2014, 31 December 2013, and 1 January 2013, respectively.

(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 $2,861,628 thousand. On 14 June 2013, the Company's board of directors, acting on behalf of the shareholders, resolved to recognize the legal capital reserves of $1,700,174 thousand.

(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.

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 $333,598 thousand 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 $9,022,812 thousand. 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 $4,511,405 thousand after deducting the effect of income tax was diverted to special capital reserve under retained earnings, an increase of $3,744,467 thousand. The Company has appropriated to the special reserve an amount of $3,744,467 thousand 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 $2,994,565 thousand 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 $2,994,565 thousand during the year ended 31 December 2013.

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 $75,242,150 thousand on 31 December 2013. The Group also reclassified $9,166 thousand 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 year ended 31 December 2014. As of 31 December 2014, 31 December 2013, 1 January 2013, the special reserves amounted to $75,232,984 thousand, $75,242,150 thousand, $75,242,150 thousand, 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 $1,684,327 thousand after recognizing special capital reserves of $14,144,966 thousand, among which special reserves for major incidents and special reserves for fluctuation of risks in the amount of $1,439,845 thousand 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 31 December 2014, the reserves amounted to $1,949,825 thousand.

(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.

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 years ended 31 December 2014 and 2013, amounting to $2,100 thousand and $3,300 thousand, 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:

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	Appropriation of earnings		Dividend per share	
	2013	2012	2013	2012
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	-	-

There is no significant difference between the actual employee bonuses and remuneration to directors and supervisors distributed from the year ended 31 December 2013's earnings and the estimated amount in the financial statements for the year ended 31 December 2013.

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

27. Treasury stock

As of 31 December 2014, 31 December 2013, and 1 January 2013, the amount and share number of treasury stocks were $0 thousand, $0 thousand, and $7,179,872 thousand, and 0 thousand shares, 0 thousand shares, and 200,000 thousand 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~ 2014.12.31	2013.1.1~ 2013.12.31
Beginning balance	$4,180,340	$3,751,616
Net income attributed to non-controlling interests	262,190	204,336
Other comprehensive income attributed to non-controlling interests:		
Exchange differences resulting from translating the financial statements of a foreign operation	287,452	129,870
Unrealized gains from available-for-sale financial assets	108,259	(27,481)
The movement of non-controlling interests	801,603	121,999
Ending balance	$5,639,844	$4,180,340

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

29. Employee benefits, depreciation and amortization

Summary statement of employee benefits and depreciation expenses breakdown:

	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Employee benefits expense		
Salary and wages	$27,543,885	$26,329,445
Labor and health insurance	3,231,283	3,358,669
Pension expense	1,851,998	1,947,108
Other employee benefits	2,478,898	2,662,644
Depreciation	2,201,638	2,535,152
Amortization	325,090	372,264

As of 31 December 2014, and 31 December 2013, the total numbers of the employees of the Company and Subsidiaries (the Group) were 44,542, and 44,487, respectively.

30. The Components of other comprehensive income

For the year ended 31 December 2014

	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	$1,602,548	$-	$1,602,548	$(225,579)	$1,376,969
Unrealized gains(losses) from available-for-sale financial assets	52,671,274	(26,014,933)	26,656,341	(2,569,559)	24,086,782
Gains(losses) on cash flow hedges	197,082	(438,993)	(241,911)	40,058	(201,853)
Gains from revaluation	913,058	-	913,058	(77,760)	835,298
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	88,465	(13)	88,452	-	88,452
Total	$55,472,427	$(26,453,939)	$29,018,488	$(2,832,840)	$26,185,648

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

For the year ended 31 December 2013

	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	$733,397	$-	$733,397	$(59,841)	$673,556
Unrealized gains(losses) from available-for-sale financial assets	12,559,983	(19,439,938)	(6,879,955)	1,177,259	(5,702,696)
Gains(losses) on cash flow hedges	(19,545)	(695,114)	(714,659)	120,283	(594,376)
Gains from revaluation	10,805,816	-	10,805,816	(798,077)	10,007,739
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(14,204)	-	(14,204)	-	(14,204)
Total	$24,065,447	$(20,135,052)	$3,930,395	$439,624	$4,370,019

31. Income taxes

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

Income tax expense recognized in profit or loss

	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Current income tax expense(income):		
Current income tax charge	$3,944,212	$2,885,198
Adjustments in respect of current income tax of prior periods	(265,995)	(252,234)
Deferred tax expense(income):		
Deferred tax expense relating to origination and reversal of temporary differences	8,232,719	3,758,897
Deferred tax expense(income) relating to origination and reversal of tax loss and tax credit	(6,659,485)	(577,406)
Tax expense recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	198,477	-
Other components of deferred tax expense(income)	1,008,155	(1,035,471)
Total income tax expense	$6,458,083	$4,778,984

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Income tax relating to components of other comprehensive income

	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Current income tax expense:	$74,726	$-
Current income tax charge		
Deferred tax expense (income):		
Exchange difference resulting from translating the financial statements of a foreign operation	225,579	59,841
Unrealized gains (losses) from available-for-sale financial assets	2,569,559	(1,177,259)
Losses on cash flow hedges	(40,058)	(120,283)
Gains from revaluation	3,034	798,077
Income tax relating to components of other comprehensive income	$2,832,840	$(439,624)

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

Accounting profit (loss) before tax from continuous operations

	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
	56,242,720	42,799,356
Tax at the domestic rates applicable to profits in the country concerned	$18,429,386	$13,362,785
Tax effect of revenues exempt from taxation	(20,166,100)	(13,524,441)
Tax effect of expenses not deductible for tax purposes	246,377	246,485
Return of cash dividends	1,818,803	1,878,734
Unrecognized tax losses of deferred tax assets	31,961	1,963,673
Alternative Minimum Tax	8,539	-
Tax effect of deferred tax assets/liabilities	710,178	(12,250)
10% surtax on undistributed retained earnings	176,336	37,003
Adjustments in respect of current income tax of prior periods	(265,535)	(252,170)
Others	5,468,138	1,079,165
Total income tax expense (income) recognized in profit or loss	$6,458,083	$4,778,984

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

	2014.1.1~2014.12.31					
	Beginning balance	Recognition in profit or loss	Recognition in other comprehensive income or loss	Acquired in business combinations	Exchange differences	Ending balance
Temporary differences:						
Property, plant and equipment	$324,490	$67,346	$-	$-	$-	$391,836
Investment property	(13,400,943)	(2,987,525)	(5,884)	-	(3,259)	(16,397,611)
Financial assets at fair value through profit and loss	(554,153)	(2,447,169)	-	-	-	(3,001,322)
Available-for-sale financial assets	(4,014,210)	(5,583)	(558,573)	-	-	(4,578,366)
Derivative financial assets for hedging	(77,126)	-	40,933	-	-	(36,193)
Investments in debt securities with no active market	209,570	(493,020)	-	-	-	(283,450)
Investments accounted for using the equity method	(86,271)	2,065	-	-	-	(84,206)
Preferential interest rate deposits	107,029	(413)	-	-	-	106,616
Financial liabilities at fair value through profit or loss	2,765,686	5,728,134	-	-	-	8,493,820
Derivative financial liabilities for hedging	875	-	(875)	-	-	-
Other receivables	(54,792)	(15,650)	-	-	-	(70,442)
Provisions for employee benefits liabilities	908,774	(1,608)	-	-	-	907,166
Bad debt losses	631,095	(24,258)	-	-	-	606,837
Deferred income tax assets (liabilities) resulted from income or loss on foreign exchange	8,450,684	(8,069,192)	(2,236,565)	-	(1)	(1,855,074)
Provisions	(160,100)	(30,665)	-	-	-	(190,765)
Deferred revenue on customer loyalty programs	209,666	14,419	-	-	-	224,085
Fair value adjustments from business consolidation	(322,224)	(60,820)	-	-	-	(383,044)
Guarantee deposits paid	(100,104)	95,478	-	-	-	(4,626)
Office supplies	2,813	(976)	-	-	-	1,837
Others	14,716	(201,759)	2,850	19,355	-	(164,838)
Unused tax losses	1,775,277	4,221,222	-	-	-	5,996,499
Tax effect under consolidated income tax	(505,334)	-	-	(99,693)	-	(605,027)
Deferred income tax expenses (income)		$(4,209,974)	$(2,758,114)	$(80,338)	$(3,260)	
Deferred income tax assets (liabilities)-net	$(3,874,582)					$(10,926,268)
Reflected in balance sheet as flows:						
Deferred income tax assets	$15,062,222					$16,245,526
Deferred income tax liabilities	$(18,936,804)					$(27,171,794)

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(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.1.1~2013.12.31					
	Beginning balance	Recognition in profit or loss	Recognition in other comprehensive income or loss	Equated in business combinations	Exchange differences	Ending balance
Temporary differences:						
Property, plant and equipment	$729,378	$(404,888)	$-	$-	$-	$324,490
Investment property	(11,202,271)	(1,400,595)	(798,077)	-	-	(13,400,943)
Financial assets at fair value through profit and loss	(818,484)	264,331	-	-	-	(554,153)
Available-for-sale financial assets	(5,827,941)	(2,249)	1,815,980	-	-	(4,014,210)
Derivative financial assets for hedging	(196,534)	-	119,408	-	-	(77,126)
Investments in debt securities with no active market	50,801	158,769	-	-	-	209,570
Investments accounted for using the equity method	(77,649)	(8,622)	-	-	-	(86,271)
Preferential interest rate deposits	107,150	(121)	-	-	-	107,029
Financial liabilities at fair value through profit or loss	358,911	2,406,775	-	-	-	2,765,686
Derivative financial liabilities for hedging	-	-	875	-	-	875
Other receivables	(46,622)	(8,170)	-	-	-	(54,792)
Provisions for employee benefits liabilities	882,302	26,472	-	-	-	908,774
Bad debt losses	650,376	(19,281)	-	-	-	631,095
Deferred income tax assets (liabilities) resulted from income or loss on foreign exchange	14,565,624	(5,416,373)	(698,562)	-	(5)	8,450,684
Provisions	(893,826)	733,726	-	-	-	(160,100)
Convertible bonds payables	31,087	(31,087)	-	-	-	-
Deferred revenue on customer loyalty programs	102,821	106,845	-	-	-	209,666
Fair value adjustments from business consolidation	(261,404)	(60,820)	-	-	-	(322,224)
Guarantee deposits paid	1,250	(101,354)	-	-	-	(100,104)
Office supplies	5,596	(2,783)	-	-	-	2,813
Others	127,252	528	-	(113,064)	-	14,716
Unused tax losses	1,197,871	577,406	-	-	-	1,775,277
Tax effect under consolidated income tax	(263,101)	-	-	(242,233)	-	(505,334)
Deferred income tax expenses (income)		$(3,181,491)	$439,624	$(355,297)	$(5)	
Deferred income tax assets (liabilities)-net	$(777,413)					$(3,874,582)
Reflected in balance sheet as flows:						
Deferred income tax assets	$19,065,855					$15,062,222
Deferred income tax liabilities	$(19,843,268)					$(18,936,804)

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(4) Unrecognized deferred income tax assets

Until to 31 December 2014, 31 December 2013, and 1 January 2013, the amount of deferred income tax assets arisen from not probable taxable income were NT$6,010,305 thousand, NT$5,483,708 thousand, and NT$5,341,957 thousand, respectively.

(5) Unrecognized deferred tax liabilities relating to the investments in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at 31 December 2014, 31 December 2013, and 1 January 2013, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liability has not been recognized, aggregate to $123,265 thousand, $23,745 thousand and $10,550 thousand, respectively.

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

	2014.12.31	
	Income tax returns examined by tax authorities	Notes
The Company	through 2008	The Company was in the process of administrative litigation procedure for 2007 and 2008.
Cathay Life	through 2008	Cathay Life 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 2008.
Cathay Century	through 2008	Cathay Century was in the process of administrative litigation procedure for 2006 and 2008.
Cathay Securities	through 2008	Cathay Securities was in the process of administrative remedy for 2007 tax returns.
Cathay Venture	through 2009	Cathay Venture was in the process of administrative remedy for 2008 tax returns.
Cathay Securities Investment Trust	through 2011	Cathay Security Investment Trust has not been examined for 2009 tax return.
Cathay Futures	through 2011	-

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(7) Information related to imputation credit account:

	2014.12.31	2013.12.31	2013.1.1
Balance of imputation credit account	$15,952	$703,186	$1,962,845

The Company's cash dividends-imputed and stock dividends-imputed tax credit ratio applied to actual distribution were 2.42% and 1.23% 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 $267,215 thousand 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 the date of distribution, 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.

	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
(1) Basic earnings per share ($)		
Profit attributable to ordinary equity holders of the Company (in thousand)	$49,522,447	$37,816,036
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand)	12,563,210	12,123,735
Basic earnings per share ($)	$3.94	$3.12

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.

33. Business combinations

During November 2013, Cathay Life and Cathay Venture disposed of 11% and 39.88% of equity investment respectively, in Symphox Information. 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 Indovina Bank at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

34. Information of insurance contract

(1) Life insurance subsidiaries

Risk management objectives, policies, procedures and methods:

A. Objectives of risk management

Cathay Life's risk management policy aims to promote operational efficiency, to ensure assets safety, to increase shareholder value, and to comply with any and all applicable 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.

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 each department.
(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.

The risk management department formulates risk management standards and policies based on Cathay Life's business nature and needs. Cathay Life provides risk management reports to the risk management department regularly. The reports are compiled by the risk management department and turned in to the risk management committee.

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.

(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.

(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.

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.

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.

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.

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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Information of insurance risk

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

(A) Cathay Life

	For the year ended 31 December 2014		
	Scenarios	Change in income before tax	Change in equity
Mortality/Morbidity	×1.05 (×0.95)	Decrease (increase) 2,051,756	Decrease (increase) 1,702,957
Expense	×1.05 (×0.95)	Decrease (increase) 2,576,013	Decrease (increase) 2,138,091
Surrender rates	×1.05 (×0.95)	Increase (decrease) 418,108	Increase (decrease) 347,029
Rate of return	+0.1%	Increase 3,729,020	Increase 3,095,086
Rate of return	-0.1%	Decrease 3,732,670	Decrease 3,098,116

	For the year ended 31 December 2013		
	Scenarios	Change in income before tax	Change in equity
Mortality/Morbidity	×1.05 (×0.95)	Decrease (increase) 1,987,332	Decrease (increase) 1,649,485
Expense	×1.05 (×0.95)	Decrease (increase) 2,702,501	Decrease (increase) 2,243,076
Surrender rates	×1.05 (×0.95)	Increase (decrease) 343,952	Increase (decrease) 285,480
Rate of return	+0.1%	Increase 3,290,658	Increase 2,731,246
Rate of return	-0.1%	Decrease 3,293,883	Decrease 2,733,923

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

B. Cathay life (China)

	For the year ended 31 December 2014		
	Scenarios	Change in income before tax	Change in equity
Mortality/Morbidity	×1.10 (×0.90)	Decrease (increase) 102,103	Decrease (increase) 76,577
Expense	×1.05 (×0.95)	Decrease (increase) 81,431	Decrease (increase) 61,073
Surrender rates	×1.10 (×0.90)	Increase (decrease) 32,488	Increase (decrease) 24,366
Rate of return	+0.25%	Increase 328,383	Increase 246,287
Rate of return	-0.25%	Decrease 372,970	Decrease 279,727

	For the year ended 31 December 2013		
	Scenarios	Change in income before tax	Change in equity
Mortality/Morbidity	×1.10 (×0.90)	Decrease (increase) 82,912	Decrease (increase) 62,184
Expense	×1.05 (×0.95)	Decrease (increase) 74,639	Decrease (increase) 55,980
Surrender rates	×1.10 (×0.90)	Increase (decrease) 26,345	Increase (decrease) 19,759
Rate of return	+0.25%	Increase 318,944	Increase 239,208
Rate of return	-0.25%	Decrease 288,664	Decrease 216,498

C. Cathay Life (Vietnam)

	For the year ended 31 December 2014		
	Scenarios	Change in income before tax	Change in equity
Mortality/Morbidity	×1.05 (×0.95)	Decrease (increase) 117	Decrease (increase) 91
Expense	×1.05 (×0.95)	Decrease (increase) 10,281	Decrease (increase) 8,019
Surrender rates	×1.05 (×0.95)	Increase (decrease) 534	Increase (decrease) 417
Rate of return	+0.1%	Increase 3,510	Increase 2,738
Rate of return	-0.1%	Decrease 3,513	Decrease 2,740

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	For the year ended 31 December 2013		
	Scenarios	Change in income before tax	Change in equity
Mortality/Morbidity	×1.05 (×0.95)	Decrease (increase) 207	Decrease (increase) 155
Expense	×1.05 (×0.95)	Decrease (increase) 9,523	Decrease (increase) 7,142
Surrender rates	×1.05 (×0.95)	Increase (decrease) 647	Increase (decrease) 486
Rate of return	+0.1%	Increase 2,300	Increase 1,725
Rate of return	-0.1%	Decrease 2,302	Decrease 1,727

a. Changes in income before tax listed above refer to the effects of income before tax arising from the assumption for the years ended 31 December 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 year ended 31 December 2013) individually.

b. An increase (decrease) of 0.1% on discount rate applied to liability adequacy test has no impact on income before tax and equity. The result of the test shows Cathay Life's adequacy. However, if the discount rate keeps declining significantly, income before tax and equity will probably be affected.

c. Sensitivity Test

(a) Mortality/Morbidity test is executed by multiplying mortality, morbidity and the occurrence rate of injury insurance by the changes of assumptions and results in the corresponding changes in income before tax.

(b) Expense sensitivity is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by the changes of assumptions and results in the corresponding changes in income before tax.

(c) Surrender rate sensitivity test is executed by multiplying surrender rate by the changes of assumptions and results in the corresponding changes in income before tax.

(d) The rate of returns sensitivity test is executed by multiplying the rate of returns (Note 2) increases (decreases) by the changes of assumptions and results in the corresponding changes in income before tax.

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

Note 2: The rate of returns is measured by 2 x (net profits or losses on investment – finance costs) / (the beginning balance of usable capital + the ending balance of usable capital – net profits or losses on investment + 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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(3) Claim development trend

A. Cathay Life

a. Direct business development trend

Accident year	Development year 1	2	3	4	5	6	7	Expected future payment
2008Q1~2008Q4	13,213,167	15,502,203	15,690,933	15,752,002	15,809,213	15,839,773	15,853,719	-
2009Q1~2009Q4	14,440,987	17,222,987	17,462,074	17,540,479	17,599,064	17,625,718	17,641,328	15,610
2010Q1~2010Q4	14,132,667	17,063,839	17,346,231	17,430,285	17,501,288	17,531,313	17,546,220	44,932
2011Q1~2011Q4	14,898,732	18,205,420	18,544,232	18,638,840	18,708,786	18,741,187	18,757,001	118,161
2012Q1~2012Q4	14,630,779	17,675,242	17,956,525	18,031,828	18,090,113	18,118,127	18,133,015	176,490
2013Q1~2013Q4	13,886,331	17,041,723	17,295,131	17,362,049	17,410,271	17,434,783	17,448,701	406,978
2014Q1~2014Q4	14,124,474	16,950,946	17,199,807	17,264,394	17,309,173	17,332,193	17,346,348	3,221,874

Expected future payment	$3,984,045
Less: Expected reported but not paid claim	100,157
Add: Assumed reserve for incurred but not reported claim	51,859
Reserve for unreported claim	3,935,747
Add: Reported but not paid claim	367,025
Claims reserve balance	$4,302,772

b. Retained business development trend

Accident year	Development year 1	2	3	4	5	6	7	Expected future payment
2008Q1~2008Q4	13,333,151	15,661,384	15,843,447	15,905,097	15,964,516	16,014,508	16,029,588	-
2009Q1~2009Q4	13,566,296	15,903,081	16,097,143	16,163,052	16,228,294	16,255,318	16,271,248	15,930
2010Q1~2010Q4	12,304,631	14,592,889	14,798,694	14,879,671	14,951,266	14,981,661	14,996,846	45,580
2011Q1~2011Q4	12,998,913	15,664,638	15,924,549	16,020,485	16,091,080	16,123,871	16,139,979	119,494
2012Q1~2012Q4	12,818,222	15,269,985	15,553,781	15,630,097	15,689,028	15,717,431	15,732,612	178,831
2013Q1~2013Q4	12,942,711	16,112,516	16,369,899	16,437,837	16,486,710	16,511,614	16,525,827	413,311
2014Q1~2014Q4	14,227,977	17,088,687	17,341,720	17,407,377	17,452,839	17,476,271	17,490,735	3,262,758

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

Expected future payment	$4,035,904
Less: Expected reported but not paid claim	100,157
Add: Reported but not paid claim	367,025
Retained claims reserve balance	$4,302,772

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

B. Cathay Life (China)

a. Direct business development trend

Accident year	Development year							Expected future payment
	1	2	3	4	5	6	7	
2008Q1~2008Q4	29	56	58	58	58	58	58	-
2009Q1~2009Q4	857	3,444	3,456	3,456	3,456	3,456	3,456	-
2010Q1~2010Q4	9,837	18,945	19,784	19,784	19,784	19,784	19,784	-
2011Q1~2011Q4	54,234	122,550	128,982	128,982	128,982	128,982	128,982	-
2012Q1~2012Q4	101,950	204,032	217,091	217,091	217,091	217,091	217,091	-
2013Q1~2013Q4	137,225	377,724	397,764	397,764	397,764	397,764	397,764	20,040
2014Q1~2014Q4	155,998	509,993	485,272	485,272	485,272	485,272	485,272	329,274

Expected future payment	$349,314
Less: Expected reported but not paid claim	33,852
Add: Assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	315,462
Add: Reported but not paid claim	71,561
Claims reserve balance	$387,023

b. Retained business development trend

Accident year	Development year							Expected future payment
	1	2	3	4	5	6	7	
2008Q1~2008Q4	29	56	58	58	58	58	58	-
2009Q1~2009Q4	857	3,444	3,456	3,456	3,456	3,456	3,456	-
2010Q1~2010Q4	9,837	18,945	19,784	19,784	19,784	19,784	19,784	-
2011Q1~2011Q4	54,234	122,550	128,982	128,982	128,982	128,982	128,982	-
2012Q1~2012Q4	101,950	203,888	216,945	216,945	216,945	216,945	216,945	-
2013Q1~2013Q4	126,576	383,943	395,709	395,709	395,709	395,709	395,709	11,766
2014Q1~2014Q4	146,234	506,926	466,326	466,326	466,326	466,326	466,326	320,092

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

Expected future payment	$331,858
Less: Expected reported but not paid claim	33,852
Add: Reported but not paid claim	71,561
Retained claims reserve balance	$369,567

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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				
	1	2	3	4	5
2010Q1~2010Q4	270	294	294	294	294
2011Q1~2011Q4	343	587	587	587	587
2012Q1~2012Q4	1,179	1,454	1,454	1,454	1,454
2013Q1~2013Q4	586	732	732	732	732
2014Q1~2014Q4	651	840	840	840	840

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."

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.

Unit: 100 million

31 December 2014	Within 1 year	1 to 5 years	Over 5 years
Insurance contracts and financial instruments with discretionary participation features	$(685)	$1,363	$113,513

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 contacts have slight impact on profit and loss or equity. When the regulator changes the discount rate assumption possibly and reasonably, this change will have the impact of different range on profit and loss or equity depending upon the level of change it has been made and the overall company product portfolio. Furthermore, the reasonably possible change on the market risk will probably have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities via adequacy test. Based upon the reasonably possible changes of current market risk, it has little impact on the adequacy of current recognized insurance liabilities.

(2) Century insurance subsidiaries

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

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

Responsibility:

(A) Board of directors

a. To recognize various risks associated with insurance business, assure effectiveness of risk management and take ultimate responsibility for risk management as a whole.

b. To establish appropriate mechanism and culture for risk management, ratify appropriate risk management policies and optimize resource allocation.

c. To consider the aggregate effect of various risks from the perspective of Cathay Century as a whole, take into account the regulatory capital requirements from the competent authority and other related capital allocation regulations regarding finance and business.

(B) Risk Management Committee

a. To formulate risk management policies, frameworks, and organizations; to build quantitative and qualitative management standards, regularly report to board of directors, reflect timely the execution of risk management and propose necessary steps for improvement.

b. To execute risk management decisions from board of directors and review development, establishment and effectiveness of risk management mechanism for Cathay Century as a whole on a regular basis.

c. To assist and supervise various departments in risk management activities.

d. To adjust risk category, allotment, and attribution in response to changes in the environment.

e. To coordinate the interaction and communication of risk management function across departments.

(C) Chief Risk Officer

The appointment and removal of the Chief Risk Officer need to be resolved by the board of directors. The Chief Risk Officer should work independently and cannot concurrently serve on business unit and financial unit. He or she has the rights to acquire any information that could have impact on Cathay Century's risk outline.

a. To manage Cathay Century's overall risk management.
b. To participate in the discussion of important company policies and to deliver appropriate recommendations from risk management viewpoint.

(D) 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.

(E) Business unit

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

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

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

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

(F) 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.

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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

In addition, as Cathay Century undertakes reinsurance business, risk management mechanism is set up in accordance with “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms” and the ability to undertake risk is taken into account for the establishment of re-insurance risk management plan which execution is based upon. Accumulated risk with the portfolio of direct written premiums and other inward-insurance business is conducted before an individual case of outward/inward reinsurance is executed. When the cumulative insurance amount exceeds contract limit or self-retain limit, risk is diversified through facultative reinsurance.

According to Cathay Century’s risk management mechanism for reinsurance business, the maximum for the retained risk per risk unit is calculated as 10% of the summary amount of stockholder’s equities and special reserves (excluding of Compulsory automobile insurance). The following table summarizes the underlying retention for each risk unit by types of insurance:

Item	2014	2013
Fire insurance	$729,000	$673,000
Marine insurance	$729,000	$673,000
Engineering insurance	$729,000	$673,000
Other property insurance	$729,000	$673,000
Automobile insurance	$729,000	$673,000
Health and injury insurance	$729,000	$673,000

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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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.

Receivables and payables of insurance contracts

A. Receivables of insurance contracts

	Premiums receivable (Note)		
Item	2014.12.31	2013.12.31	2013.1.1
Fire insurance	$694,299	$605,859	$665,154
Marine insurance	253,767	266,869	369,048
Land and air insurance	986,485	852,082	748,157
Liability insurance	153,702	173,230	217,416
Bonding insurance	39,522	27,737	13,983
Other property insurance	352,528	427,980	345,181
Accident insurance	272,721	270,300	288,526
Health insurance	15,934	25,735	22,994
Compulsory automobile liability insurance	338,731	286,025	268,872
Total	3,107,689	2,935,817	2,939,331
Less: Allowance for bad debts	(80,050)	(64,162)	(69,978)
Net	$3,027,639	$2,871,655	$2,869,353

Note: As of 31 December 2014, 31 December 2013 and 1 January 2013, the receivables included overdue receivables amounted to $227,092 thousand, $484,663 thousand, and $497,914 thousand, respectively, and the allowance for bad debts amounted to $24,293 thousand, $20,634thousand, and $31,767 thousand, respectively.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

	Claims reported and paid off		
Item	2014.12.31	2013.12.31	2013.1.1
Fire insurance	$34,417	$22,767	$241,267
Marine insurance	23,522	37,647	42,699
Land and air insurance	38,387	25,154	40,214
Liability insurance	27,060	21,545	13,506
Bonding insurance	(6)	(2)	8
Other property insurance	10,043	31,352	8,231
Accident insurance	16,075	15,040	23,435
Health insurance	-	-	-
Compulsory automobile liability insurance	172,311	179,208	144,232
Total	321,809	332,711	513,592
Less: Allowance for bad debts	-	-	-
Net	$321,809	$332,711	$513,592

C. Payables of insurance contract

	2014.12.31		
Item	Commission payables	Other payables	Total
Fire insurance	$23,836	$15,511	$39,347
Marine insurance	8,315	9,017	17,332
Land and air insurance	29,709	192,108	221,817
Liability insurance	11,806	11,930	23,736
Bonding insurance	6,233	711	6,944
Other property insurance	42,441	13,067	55,508
Accident insurance	7,460	63,959	71,419
Health insurance	3,927	1,418	5,345
Compulsory automobile liability insurance	91,346	-	91,346
Total	$225,073	$307,721	$532,794

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Item	2013.12.31		
	Commission payables	Other payables	Total
Fire insurance	$3,411	$7,178	$10,589
Marine insurance	2,394	3,529	5,923
Land and air insurance	5,524	91,621	97,145
Liability insurance	2,554	7,166	9,720
Bonding insurance	74	210	284
Other property insurance	44,466	6,082	50,548
Accident insurance	206	26,940	27,146
Health insurance	210	5,959	6,169
Compulsory automobile liability insurance	89,457	-	89,457
Total	$148,296	$148,685	$296,981

Item	2013.1.1		
	Commission payables	Other payables	Total
Fire insurance	$13,092	$6,224	$19,316
Marine insurance	3,280	8,177	11,457
Land and air insurance	2,965	73,378	76,343
Liability insurance	8,472	5,488	13,960
Bonding insurance	485	188	673
Other property insurance	7,917	9,154	17,071
Accident insurance	182	23,540	23,722
Health insurance	39	4,118	4,157
Compulsory automobile liability insurance	75,939	-	75,939
Total	$112,371	$130,267	$242,638

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

Item	2014.12.31 Due from reinsurers and ceding companies (Note)	2014.12.31 Due to reinsurers and ceding companies
Non-Life Insurance Association of the R.O.C	$34,273	$166,447
Sompo Japan Nipponkoa Insurance (China)	89,734	32,502
Kann An	43,086	7,143
Best Re	41,234	8,350
FP Marine	78,021	30,811
Guy Carpenter	59,866	31,599
Marsh	125,258	259,300
Swiss Re	1,380	79,963
Willis	1,116	99,913
Others	294,043	676,604
Total	768,011	1,392,632
Less: Allowance for bad debts	(40,018)	-
Net	$727,993	$1,392,632

Item	2013.12.31 Due from reinsurers and ceding companies (Note)	2013.12.31 Due to reinsurers and ceding companies
Non-Life Insurance Association of the R.O.C	$56,061	$211,063
Kann An	35,266	-
Best Re	31,477	9,269
Central Re	20,166	80,543
JLT	698	75,250
Guy Carpenter	-	76,301
Marsh	25,101	174,020
Swiss Re	4,675	108,591
Others	402,720	628,209
Total	576,164	1,363,246
Less: Allowance for bad debts	(14,624)	-
Net	$561,540	$1,363,246

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.1.1	
Item	Due from reinsurers and ceding companies (Note)	Due to reinsurers and ceding companies
Non-Life Insurance Association of the R.O.C	$54,422	$197,276
FP Marine	76,332	68,251
JLT	-	83,049
Marsh	37,557	90,672
Swiss Re	531	83,848
Wilson Re	26,994	20,931
Zurich	2,336	70,029
Others	252,010	591,045
Total	450,182	1,205,101
Less: Allowance for bad debts	(5,494)	-
Net	$444,688	$1,205,101

Notes: As of 31 December 2014, 31 December 2013, and 1 January 2013, the due from reinsurers and ceding companies included overdue receivables amounted to $47,827 thousand, $46,239 thousand, and $54,939 thousand, respectively, and the allowance for bad debts amounted to $19,566 thousand, $14,624 thousand, and $5,494 thousand, respectively.

Information of management achievements

A. Acquisition cost for insurance contracts

	2014.1.1~2014.12.31					
Item	Commission expense	Agency fee	Surcharge	Reinsurance commission expense	Other cost	Total
Fire insurance	$60,110	$873	$31,504	$6,854	$101,131	$200,472
Marine insurance	17,419	322	3,666	2,315	45,124	68,846
Land and air insurance	126,847	602	-	408	921,794	1,049,651
Liability insurance	31,813	389	18,792	223	75,400	126,617
Bonding insurance	11,072	24	643	2	2,162	13,903
Other property insurance	17,335	378	290,828	3,439	69,637	381,617
Accident insurance	35,179	544	-	2	409,296	445,021
Health insurance	26,025	362	-	-	14,037	40,424
Compulsory automobile liability insurance	-	-	472,479	-	2,862	475,341
Total	$325,800	$3,494	$817,912	$13,243	$1,641,443	$2,801,892

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.1.1~2013.12.31					
Item	Commission expense	Agency fee	Surcharge	Reinsurance commission expense	Other cost	Total
Fire insurance	$45,119	$8,926	$28,880	$3,810	$93,153	$179,888
Marine insurance	9,782	2,536	7,376	3,093	48,744	71,531
Land and air insurance	67,894	3,789	-	1,727	804,316	877,726
Liability insurance	26,058	2,220	44,221	183	62,395	135,077
Bonding insurance	3,032	48	302	22	1,402	4,806
Other property insurance	15,170	1,801	241,717	7,750	77,737	344,175
Accident insurance	17,883	2,288	-	22	356,361	376,554
Health insurance	14,132	1,197	-	-	15,312	30,641
Compulsory automobile liability insurance	-	-	478,336	-	12,032	490,368
Total	$199,070	$22,805	$800,832	$16,607	$1,471,452	$2,510,766

B. Disclosure for insurance cost benefit analysis

(A) Cost benefit analysis for direct underwriting

	2014.1.1~2014.12.31					
Item	Direct premium income	Net change for unearned premiums reserve	Acquisition cost for insurance contract	Insurance claims paid	Net change for claims reserve	Net gain(loss)
Fire insurance	$3,066,441	$6,083	$(193,618)	$(761,046)	$(180,283)	$1,937,577
Marine insurance	633,043	21,314	(66,531)	(397,445)	148,393	338,774
Land and air insurance	7,065,877	(648,343)	(1,049,243)	(4,114,551)	(283,853)	969,887
Liability insurance	997,612	23,368	(126,394)	(506,064)	(233,551)	154,971
Bonding insurance	103,191	(9,111)	(13,901)	(57,763)	(45,532)	(23,116)
Other property insurance	2,270,408	112,282	(378,178)	(1,211,248)	(165,077)	628,187
Accident insurance	2,686,858	(104,191)	(445,019)	(1,030,538)	(140,627)	966,483
Health insurance	183,625	4,770	(40,424)	(99,370)	(765)	47,836
Compulsory automobile liability insurance	3,747,433	(86,732)	(475,341)	(2,462,705)	(1,083,825)	(361,170)
Total	$20,754,488	$(680,560)	$(2,788,649)	$(10,640,730)	$(1,985,120)	$4,659,429

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.1.1~2013.12.31					
Item	Direct premium income	Net change for unearned premiums reserve	Acquisition cost for insurance contract	Insurance claims paid	Net change for claims reserve	Net gain(loss)
Fire insurance	$2,904,496	$80,201	$(176,078)	$(1,014,465)	$427,411	$2,221,565
Marine insurance	656,565	101,443	(68,438)	(461,897)	134,581	362,254
Land and air insurance	6,166,184	(632,003)	(875,999)	(3,399,267)	(253,414)	1,005,501
Liability insurance	1,043,375	(18,849)	(134,894)	(482,483)	(51,425)	355,724
Bonding insurance	72,404	(9,191)	(4,784)	5,855	12,619	76,903
Other property insurance	2,218,619	(302,472)	(336,425)	(808,192)	(185,643)	585,887
Accident insurance	2,517,703	18,500	(376,532)	(932,756)	(66,496)	1,160,419
Health insurance	160,344	39,223	(30,641)	(119,103)	(4,621)	45,202
Compulsory automobile liability insurance	3,488,449	(339,553)	(490,368)	(2,142,371)	(159,952)	356,205
Total	$19,228,139	$(1,062,701)	$(2,494,159)	$(9,354,679)	$(146,940)	$6,169,660

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

	2014.1.1~2014.12.31					
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	$130,790	$(17,685)	$(6,854)	$(3,456)	$(41,155)	$61,640
Marine insurance	30,780	4,887	(2,315)	(146,885)	142,131	28,598
Land and air insurance	10,334	3,371	(408)	(88,107)	(6,598)	(81,408)
Liability insurance	1,832	(395)	(223)	(38)	(22)	1,154
Bonding insurance	1,455	(175)	(2)	(201)	(112)	965
Other property insurance	28,684	5,086	(3,439)	(11,815)	(10,615)	7,901
Accident insurance	6,016	213	(2)	(363)	875	6,739
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	315,003	(12,813)	-	(312,767)	(152,535)	(163,112)
Total	$524,894	$(17,511)	$(13,243)	$(563,632)	$(68,031)	$(137,523)

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.1.1~2013.12.31					
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	$108,304	$2,871	$(3,810)	$(2,686)	$(53,193)	$51,486
Marine insurance	42,917	2,477	(3,093)	(56,882)	25,727	11,146
Land and air insurance	14,659	4,571	(1,727)	(10,653)	(4,904)	1,946
Liability insurance	1,106	(421)	(183)	(138)	(36)	328
Bonding insurance	1,224	(185)	(22)	(168)	21	870
Other property insurance	41,367	(14,115)	(7,750)	(15,522)	(1,817)	2,163
Accident insurance	5,791	1,405	(22)	(3,502)	2,117	5,789
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	283,158	(1,359)	-	(299,178)	(790)	(18,169)
Total	$498,526	$(4,756)	$(16,607)	$(388,729)	$(32,875)	$55,559

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

	2014.1.1~2014.12.31					
Item	Reinsurance expense	Net change for unearned premiums reserve ceded	Reinsurance commission earned	Claims recovered from reinsurers	Net change for claims reserve ceded	Net loss (gain) for reinsurance ceded
Fire insurance	$1,949,918	$(29,017)	$(127,933)	$(283,942)	$(171,781)	$1,337,245
Marine insurance	459,847	18,579	(57,431)	(417,371)	257,125	260,749
Land and air insurance	492,137	(139,639)	(94,168)	(394,604)	4,769	(131,505)
Liability insurance	286,693	11,574	(80,283)	(162,179)	(55,024)	781
Bonding insurance	62,981	(5,562)	(11,564)	(47,825)	(32,326)	(34,296)
Other property insurance	892,601	(73,686)	(265,468)	(188,320)	(177,773)	187,354
Accident insurance	183,057	(2,761)	(46,332)	(125,143)	(26,111)	(17,290)
Health insurance	(60)	156	-	-	1,008	1,104
Compulsory automobile liability insurance	872,277	(23,442)	-	(838,144)	(362,492)	(351,801)
Total	$5,199,451	$(243,798)	$(683,179)	$(2,457,528)	$(562,605)	$1,252,341

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.1.1~2013.12.31					
Item	Reinsurance expense	Net change for unearned premiums reserve ceded	Reinsurance commission earned	Claims recovered from reinsurers	Net change for claims reserve ceded	Net loss (gain) for reinsurance ceded
Fire insurance	$1,879,554	$(44,094)	$(132,720)	$(354,524)	$245,823	$1,594,039
Marine insurance	476,225	103,972	(62,408)	(337,863)	187,704	367,630
Land and air insurance	297,904	(20,302)	(61,209)	(108,120)	(24,475)	83,798
Liability insurance	338,876	7,813	(93,267)	(138,615)	(10,713)	104,094
Bonding insurance	38,672	(9,791)	(7,866)	11,856	5,093	37,964
Other property insurance	432,999	40,706	(68,778)	(89,909)	(23,500)	291,518
Accident insurance	145,979	13,353	(43,171)	(65,656)	4,951	55,456
Health insurance	513	997	(182)	(160)	780	1,948
Compulsory automobile liability insurance	835,549	(35,896)	-	(825,404)	(22,123)	(47,874)
Total	$4,446,271	$56,758	$(469,601)	$(1,908,395)	$363,540	$2,488,573

Sensitivity of insurance risk

A. Cathay Century

			The impact to profit and loss when the expected loss ratio increases 5%	
Insurance type	Premium income	Expected loss ratio	Before reinsurance	After reinsurance
Fire insurance	$2,721,280	72.22	$136,064	$89,939
Marine insurance	591,051	63.21	29,553	7,968
Land and air insurance	7,034,469	65.27	351,723	225,132
Liability insurance	808,267	67.31	40,413	22,657
Bonding insurance	98,686	68.29	4,934	664
Other property insurance	664,052	61.85	33,203	16,136
Accident insurance	2,679,997	70.41	134,000	91,222
Health insurance	183,625	69.50	9,181	6,355
Compulsory automobile liability insurance	3,159,869	N/A	N/A	N/A

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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)

		The impact to profit and loss when the expected loss ratio increases 5%	
Insurance type	Premium income	Before reinsurance	After reinsurance
Fire insurance	$283,338	$14,167	$4,464
Marine insurance	36,098	1,805	1,131
Liability insurance	188,393	9,420	6,356
Bonding insurance	4,505	225	206
Other property insurance	1,604,094	80,205	50,349
Compulsory automobile liability insurance	587,564	29,378	29,378

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 years ended 31 December 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 years ended 31 December 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 years ended 31 December 2014, no material lawsuit or legal risks has taken place.

d. Correlation and mutual influence between different risks

In case of a catastrophe, beside huge sum of claim of the insured case, other risks such as market risk, credit risk, liquidity risk, can also be derived. To avoid the operation of Cathay Century being severely endangered by these derived risks, 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 years ended 31 December 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 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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Cathay Century also monitors changes in VAR in its investment positions on a regular basis and performed cash flow analysis, supplemented by stress testing, to control and manage the impact from fluctuations of major risk factors.

In addition, Cathay Century implements stress tests for overall operation every year, assesses the impact of assets and the extreme scenario of insurance risk on the financial position of the Cathay Century, and learn about the major risk factors to adjust the response in advance.

f. Concentration risks in geographic regions and operating segments

Cathay Century's catastrophe insurance for earthquakes and floods 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:

	2014.1.1 ~ 2014.12.31			
Insurance type	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	$11,161,645	$317,107	$1,170,490	$10,308,262
Fire insurance	2,746,458	124,294	1,699,466	1,171,286
Marine insurance	758,653	38,924	633,890	163,687
Engineering insurance	504,244	14,768	195,034	323,978
Health and injury insurance	1,559,638	5,579	124,862	1,440,355
Other insurance	1,206,947	15,941	434,936	787,952
Total	$17,937,585	$516,613	$4,258,678	$14,195,520

(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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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 years ended 31 December 2014.

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

	2014.1.1 ~ 2014.12.31			
Insurance type	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	$2,150,027	$1,331	$586,232	$1,565,126
Fire insurance	289,872	3,468	197,437	95,903
Marine insurance	36,098	90	13,574	22,614
Engineering insurance	22,565	(11)	12,284	10,270
Health and injury insurance	-	5	-	5
Other insurance	205,430	375	62,042	143,763
Total	$2,703,992	$5,258	$871,569	$1,837,681

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Claim development table

A. Cathay Century

Underwriting Year	-2008.12.31	2009.12.31-2009.12.31	2010.1.1-2010.12.31	2011.1.1-2011.12.31	2012.1.1-2012.12.31	2013.1.1-2013.12.31	2014.1.1-2014.12.31	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	$5,773,901	$7,066,945	
One year later	4,080,849	4,039,173	4,872,374	5,667,748	5,687,982	6,109,827		
Two year later	4,184,209	4,142,479	4,895,061	5,171,294	5,742,806			
Three year later	4,048,332	4,178,118	6,227,365	5,223,218				
Four year later	4,058,322	4,142,281	6,161,426					
Five year later	4,788,529	4,128,774						
Six year later	4,609,263							
Estimate of cumulative claims incurred	4,609,263	4,128,774	6,161,426	5,223,218	5,742,806	6,109,827	7,066,945	$39,042,259
Cumulative payment to date	4,637,265	4,086,139	6,000,622	5,111,096	5,545,443	5,480,857	4,035,321	34,896,743
Subtotal	(28,002)	42,635	160,804	112,122	197,363	628,970	3,031,624	4,145,516
Reconciliation	-	-	-	-	-	-	90,031	90,031
Recorded in balance sheet	$(28,002)	$42,635	$160,804	$112,122	$197,363	$628,970	$3,121,655	$4,235,547

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 $1,886,768 thousand and assumed reinsurance from the upper table (except compulsory automobile liability insurance) $190,431 thousand.

B. Cathay Century (China)

	Accident year							
	-2008.12.31	2009.1.1-2009.12.31	2010.1.1-2010.12.31	2011.1.1-2011.12.31	2012.1.1-2012.12.31	2013.1.1-2013.12.31	2014.1.1-2014.12.31	Total
Estimated accumulation amount of claim								
As to 2008/12/31	$2,799							
As to 2009/12/31	2,667	$162,366						
As to 2010/12/31	2,662	156,033	$347,226					
As to 2011/12/31	2,691	152,891	343,923	$373,674				
As to 2012/12/31	1,398	132,720	308,864	334,660	$1,039,422			
As to 2013/12/31	1,398	132,721	308,889	352,230	873,165	$1,519,883		
As to 2014/12/31	1,398	132,591	308,027	363,329	831,403	1,376,093	$2,062,889	
Estimated accumulation of claim	1,398	132,591	308,027	363,329	831,403	1,376,093	2,062,889	$5,075,730
Accumulated claim paid	1,398	132,580	307,791	340,541	793,699	1,163,917	1,069,919	3,809,845
Subtotal	-	11	236	22,788	37,704	212,176	992,970	1,265,885
Indirect claim expense, discount and risk margin								56,037
Recognized amount on balance sheet								$1,321,922

C. Cathay Century (Vietnam)

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

35. Related party transactions

(1) Related parties

Name	Relationship
Cathay Life	Subsidiary of the Company
Cathay United Bank	〃
Cathay Century	〃
Cathay Securities	〃
Cathay Venture	〃
Cathay Securities Investment Trust	〃
Cathay Life (China)	〃
Cathay Life (Vietnam)	〃
Cathay Insurance (Bermuda)	〃
Cathay Securities Investment Consulting	〃
Lin Yuan	〃
Cathay Century (China)	〃
Cathay Century (Vietnam)	〃
Indovina Bank	〃
Seaward Card	〃
CUBC Bank	〃
Cathay Futures	〃
Taiwan Real-estate Management Corp.	Associate
Symphox Information	〃
Tien-Tai Energy Corp.	〃
Cathay Conning Asset Management Ltd.	〃
Vietinbank	Other related parties
Cathay Dragon Fund etc.	〃
Lin Yuan Property Management Co., Ltd.	〃

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Name	Relationship
Cathay General Hospital	Other related parties
Cathay Real Estate Development Co., Ltd.	〃
San Ching Engineering Co., Ltd.	〃
Cathay Healthcare Management Co., Ltd.	〃
Cathay Hospitality Management Co., Ltd.	〃
Culture and Charity Foundation of the CUB	〃
Liang-Ting Co., Ltd.	〃
Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.	〃
Others	〃

(2) Significant transactions with related parties:

A. Cash and cash equivalent

(A) Call loans to banks

	Ending balance		
Name	2014.12.31	2013.12.31	2013.1.1
Other related parties			
Vietinbank	$-	$6,554,374	$6,376,067

	Interest income	
Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Other related parties		
Vietinbank	$28,198	$273,916

(B) Due from commercial banks

	Ending balance		
Name	2014.12.31	2013.12.31	2013.1.1
Other related parties			
Vietinbank	$5,035,169	$16,175	$5,722

	Interest income	
Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Other related parties		
Vietinbank	$171,182	$24

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(C) Call loans from banks

	Ending balance		
Name	2014.12.31	2013.12.31	2013.1.1
Other related parties			
Vietinbank	$-	$3,844,124	$2,797,772

	Interest expense	
Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Other related parties		
Vietinbank	$70,906	$241,197

(D) Due to commercial banks

	Ending balance		
Name	2014.12.31	2013.12.31	2013.1.1
Other related parties			
Vietinbank	$301,321	$1,601	$5,722

	Interest expense	
Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Other related parties		
Vietinbank	$85,497	$-

B. Financial assets at fair value through profit or loss

Name	2014.12.31	2013.12.31	2013.1.1
Other related parties			
Cathay Dragon Fund etc.	$3,549,890	$2,038,855	$2,319,889

C. Receivables

Name	2014.12.31	%	2013.12.31	%	2013.1.1	%
Other related parties Cathay						
Dragon Fund etc.	$88,613	0.07	$84,454	0.05	$76,453	0.07

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

D. Reinsurance assets

Name	2014.12.31	2013.12.31	2013.1.1
Subsidiary			
Cathay Insurance (Bermuda)	$25,206	$43,145	$-

E. Loans

	Ending balance		
Name	2014.12.31	2013.12.31	2013.1.1
Associates			
Taiwan Real-estate Management Corp.	$55,000	$60,000	$65,000
Tien-Tai Energy Corp.	112,866	120,859	-
Other related parties			
Cathay Real Estate Development Co., Ltd.	280,000	100,000	-
Cathay General Hospital	2,733,550	3,025,691	3,313,519
Liang-Ting Co., Ltd.	82,716	-	-
Others	2,211,877	1,617,682	890,843
Total	$5,476,009	$4,924,232	$4,269,362

	Interest income	
Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Associates		
Taiwan Real-estate Management Corp.	$1,117	$1,174
Tien-Tai Energy Corp.	4,099	1,932
Other related parties		
Cathay Real Estate Development Co., Ltd.	1,807	11,677
Cathay General Hospital	64,505	75,147
Liang-Ting Co., Ltd.	163	-
Others	40,043	27,939
Total	$111,734	$117,869

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

F. Available-for-sale financial assets

Name	2014.12.31	2013.12.31	2013.1.1
Other related parties			
Cathay Dragon Fund etc.	$469,486	$290,068	$236,464
Cathay Healthcare Management Co., Ltd.	63,383	64,868	34,125
Total	$532,869	$354,936	$270,589

G. Deposit

	Ending balance		
Name	2014.12.31	2013.12.31	2013.1.1
Associate			
Symphox Information	$153,609	$142,617	$167,730 (Note)
Other related parties			
Cathay Real Estate Development Co., Ltd.	375,029	226,980	279,019
Cathay Dragon Fund etc.	28,854	1,970,907	3,258,081
Others	9,742,777	8,558,652	7,234,987
Total	$10,300,269	$10,899,156	$10,939,817

	Interest expense	
Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Associate		
Symphox Information	$654	$1,425
Other related parties		
Cathay Real Estate Development Co., Ltd.	148	177
Cathay Dragon Fund etc.	4,888	14,680
Others	105,204	94,286
Total	$110,894	$110,568

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

H. Property transactions

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

	2014.1.1~2014.12.31	
Name	Item	Amount
Other related parties		
Cathay Real Estate Development Co., Ltd.	Cathay Land Mark, etc.	$10,965
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	937,306
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	81,429
Total		$1,029,700

	2013.1.1~2013.12.31	
Name	Item	Amount
Other related parties		
Cathay Real Estate Development Co., Ltd.	Cathay Land Mark, etc.	$18,870
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	2,570,241
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	46,575
Total		$2,635,686

The total amounts of contracted projects for real estate as of 31 December 2014, 31 December 2013, and 1 January 2013, between Cathay Life and Lin Yuan Property Management Co., Ltd. were $42,443 thousand, $95,481 thousand and 3,408 thousand, respectively.

The total amounts of contracted projects for real estate as of 31 December 2014, 31 December 2013, and 1 January 2013, between Cathay Life and San Ching Engineering Co., Ltd. were $5,575,823 thousand, $5,535,807 thousand, and $5,483,615 thousand, respectively.

The total amounts of contracted projects for real estate as of 31 December 2014, 31 December 2013, and 1 January 2013, between Cathay Life and Cathay Real Estate Development Co., Ltd. were $49,306 thousand, $49,306 thousand, and $49,306 thousand, respectively.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(B) Real estate rental income from Cathay Life:

Name	Rental income 2014.1.1~ 2014.12.31	Rental income 2013.1.1~ 2013.12.31
Subsidiary		
Cathay Securities Investment Consulting	$8,844	$8,805
Associate		
Symphox Information	28,604	15,007
Other related parties		
Cathay Real Estate Development Co., Ltd.	17,932	17,405
San Ching Engineering Co., Ltd.	5,580	5,808
Cathay General Hospital	178,043	174,863
Cathay Healthcare Management Co., Ltd.	48,540	34,421
Cathay Hospitality Management Co., Ltd.	135,540	27,667
Total	$423,083	$283,976

Name	Guarantee deposits received 2014.12.31	2013.12.31	2013.1.1
Associate			
Symphox Information	$8,343	$5,922	$3,942 (Note)
Other related party			
Cathay Real Estate Development Co., Ltd.	4,028	4,028	4,028
Cathay General Hospital	10,166	10,166	10,166
Cathay Healthcare Management Co., Ltd.	12,192	10,458	8,012
Total	$34,729	$30,574	$26,148

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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

Name	Rental expense 2014.1.1~2014.12.31	Rental expense 2013.1.1~2013.12.31
Other related party		
Cathay Real Estate Development Co., Ltd.	$52,098	$69,204

Name	Guarantee deposits 2014.12.31	2013.12.31	2013.1.1
Other related party			
Cathay Real Estate Development Co., Ltd.	$7,399	$13,932	$13,932

I. Guarantee deposits

Name	2014.12.31	2013.12.31	2013.1.1
Other related parties			
Lin Yuan Property Management Co., Ltd.	$5,000	$5,000	$5,000

J. Futures traders' equity

Name	2014.12.31	2013.12.31	2013.1.1
Other related party			
Cathay Dragon Fund etc.	$160,074	$153,195	$166,848

K. Securities sold under agreements to repurchase

Name	Ending balance 2014.12.31	2013.12.31	2013.1.1
Other related party			
Others	$16,105	$-	$60,081

Name	Interest expense 2014.1.1~2014.12.31	Interest expense 2013.1.1~2013.12.31
Other related party		
Others	$185	$121

L. Payables

Name	2014.12.31	%	2013.12.31	%	2013.1.1	%
Subsidiaries						
Cathay Insurance (Bermuda)	$-	-	$14,109	0.04	$-	-
Seaward Card	22,894	0.05	24,857	0.07	26,131	0.04
Associate						
Symphox Information	19,266	0.04	22,102	0.06	17,023 (Note)	0.03
Cathay Conning Asset Management Ltd.	3,925	0.01	-	-	-	-
Other related parties						
Lin Yuan Property Management Co., Ltd.	1,984	-	1,383	-	3,580	0.01
Vietinbank	301,321	0.60	119,800	0.32	407,904	0.68
San Ching Engineering Co., Ltd	7,479	0.01	-	-	326	-
Total	$356,869		$182,251		$454,964	

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

M. Sales of securities

There is no significant related parties transactions for the year ended 31 December 2014.

		2013.1.1~2013.12.31		
Name	Securities	Shares	Amount	Gain on disposal
Associates				
Cathay Real Estate Development Co., Ltd.	Symphox Information Co., Ltd.	5,489 (in thousands)	$90,297	Note
San Ching Engineering Co., Ltd.	Symphox Information Co., Ltd.	19,900 (in thousands)	327,365	$109,828

Note: The price differences between the net proceeds from selling of Symphox Information Co., Ltd. to Cathay Real Estate Development Co., Ltd. and the net carrying amount had been recognized in equity.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

N. Net commission and handling fee

(A) Handling fee income

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Securities Investment Consulting	$22,146	$20,787

(B) Reinsurance service expense

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Insurance (Bermuda)	$9,406	$8,938

O. Net premiums from insurance business

(A) Insurance income

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Other related parties		
Cathay Real Estate Development Co., Ltd.	$7,553	$7,923
Cathay General Hospital	44,146	44,912
San Ching Engineering Co., Ltd.	17,092	511
Lin Yuan Property Management Co.Ltd	2,525	3,001
Shanghai Lujiazui Finance & Trade Zone Development Company Limited	7,686	-
Others	139,680	123,255
Total	$218,682	$179,602

(B) Reinsurance income

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Insurance (Bermuda)	$133,295	$131,331

On 1 July 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 years ended 31 December 2014 and 2013, Cathay Life assumed 90% of the reinsurance business from Cathay Insurance (Bermuda).

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(C) Reinsurance claims payment

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Insurance (Bermuda)	$112,979	$132,439

(D) Reinsurance commission expense

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Insurance (Bermuda)	$4,334	$3,755

P. Net other non-interest income

(A) Management fee income

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Other related party		
Cathay Dragon Fund etc.	$1,027,645	$992,052

(B) Other income

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Other related party		
Cathay Health Management Co.Ltd	$3,992	$2,706
Cathay General Hospital	5,533	5,461
	$9,525	$8,167

(C) Rental Income

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Other related party		
Culture and Charity Foundation of the CUB	$4,633	$4,819

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Q. Operating expenses

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiaries		
Cathay Securities Investment Consulting	$672	$22,855
Seaward Card	292,454	323,846
Associate		
Symphox Information	787,945	737,529
Cathay Conning Asset Management Ltd.	7,093	-
Other related parties		
Cathay Real Estate Development Co., Ltd.	20,943	22,838
Lin Yuan Property Management Co., Ltd.	725,645	683,390
Cathay Healthcare Management Co., Ltd.	22,615	13,427
San Ching Engineering Co., Ltd.	8,622	3,592
Total	$1,865,989	$1,807,477

R. Key management personnel compensation

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Short-term employee benefits	$546,735	$497,588
Post-employment pension	15,804	16,216
Total	$562,539	$513,804

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

(3) The Company

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

A. Cash in bank

Name	Item	Ending balance 2014.12.31	Ending balance 2013.12.31	Ending balance 2013.1.1
Subsidiary				
Cathay United Bank	Time deposit	$-	$-	$87,408
	Cash in bank	12,271	3,982	5,981
	Total	$12,271	$3,982	$93,389

Interest income from Cathay United Bank for the years ended 31 December 2014 and 2013 were $110 thousand and $1,831 thousand, respectively.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

B. Receivables

Name	Item	2014.12.31	2013.12.31	2013.1.1
Subsidiaries				
Cathay Life	Interest	$4,366,995	$3,458,995	$2,550,995
Cathay Century	Receivables due to consolidated income tax and interest	171,856	212,790	172,887
Cathay Securities	Receivables due to consolidated income tax	-	-	111,308
Cathay Securities Investment Trust	Receivables due to consolidated income tax	70,778	58,705	19,154
Cathay United Bank	Receivables due to consolidated income tax	229,509	-	-
Total		$4,839,138	$3,730,490	$2,854,344

C. Guarantee deposits paid

Name	2014.12.31	2013.12.31	2013.1.1
Subsidiary			
Cathay Life	$8,046	$8,505	$6,604

D. Held-to-maturity financial asset

Name	2014.12.31	2013.12.31	2013.1.1
Subsidiaries			
Cathay Life	$30,000,000	$30,000,000	$30,000,000
Cathay Century	1,000,000	1,000,000	1,000,000
Total	$31,000,000	$31,000,000	$31,000,000

E. Payables

Name	Item	2014.12.31	2013.12.31	2013.1.1
Subsidiaries				
Cathay Life	Payable due to consolidated income tax	$8,926,622	$7,550,281	$5,235,287
Cathay United Bank	Payable due to consolidated income tax	-	256,312	246,573
Cathay Securities	Payable due to consolidated income tax	315	6,495	-
Cathay Inventure	Payable due to consolidated income tax	4,053	1,931	2,473
Total		$8,930,990	$7,815,019	$5,484,333

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

F. Interest income

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiaries		
Cathay Life	$908,000	$908,000
Cathay Century	18,600	18,600
Total	$926,600	$926,600

G. Operating expenses

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Life	$35,513	$31,354
Cathay United Bank	6,365	3,313
Total	$41,878	$34,667

(4) Subsidiaries' significant transactions with related parties that are more than $100 million 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	2014.12.31	2013.12.31	2013.1.1
Subsidiaries				
Cathay United Bank	Time deposit	$4,482	$7,482	$57,338,698
	Cash in bank	29,399,162	24,802,249	15,791,906
	Check deposit	540,490	747,053	954,116
	Security deposit	6	6	6
Indovina Bank	Time deposit	-	-	471
	Cash in bank	9,086	5,226	2,737
Total		$29,953,226	$25,562,016	$74,087,934

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Interest income from Cathay United Bank for the years ended 31 December 2014 and 2013, were $21,682 thousand, and $324,350 thousand, respectively.

Interest income from Indovina Bank for the years ended 31 December 2014 and 2013 were $171 thousand, and $3,487 thousand, respectively.

As of 31 December 2014, 31 December 2013, and 1 January 2013, time deposit pledged were $4,482 thousand, $7,482 thousand, and $8,698 thousand, respectively.

b. Investments in debt securities with no active market

Name	2014.12.31	2013.12.31	2013.1.1
Subsidiary			
Cathay United Bank	$3,000	$3,000	$3,000

c. Other receivables

Name	2014.12.31	2013.12.31	2013.1.1
The Company			
Cathay Financial Holding (Note)	$8,926,622	$7,550,281	$5,235,287
Subsidiary			
Cathay Century	264,638	164,984	141,412
Total	$9,191,260	$7,715,265	$5,376,699

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

d. Secured loans

	2014.1.1~2014.12.31			
Name	Maximum amount	Interest Income	Rate	Ending balance
Other related parties				
Cathay General Hospital	$2,926,691	$61,584	2.01%~2.55%	$2,634,550
Others	1,005,309	14,551	1.34%~3.78%	918,376
Total		$76,135		$3,552,926

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.1.1~2013.12.31			
Name	Maximum amount	Interest Income	Rate	Ending balance
Other related parties				
Cathay General Hospital	$3,210,519	$72,197	2.01%~2.55%	$2,926,691
Others	717,643	10,153	1.34%~3.88%	694,214
Total		$82,350		$3,620,905

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

Name	2014.12.31	2013.12.31	2013.1.1
Other related party			
Cathay Dragon Fund etc.	$3,031,486	$2,008,405	$2,319,889

f. Guarantee deposits paid

Name	2014.12.31	2013.12.31	2013.1.1
Subsidiary			
Cathay Futures	$515,748	$711,826	$364,739

The guarantee deposits are futures margins of Cathay Futures. The imputed interest income of guarantee deposit paid from Cathay Futures for the years ended 31 December 2014 and 2013 were $1,014 thousand, and $990 thousand, respectively.

g. Other payables

Name	2014.12.31	2013.12.31	2013.1.1
The Company			
Cathay Financial Holding (Note)	$4,366,995	$3,458,995	$2,550,995
Subsidiary			
Cathay United Bank	455,244	142,559	139,104
Total	$4,822,239	$3,601,554	$2,690,099

Note: Interest payable accrued from preferred stock liability.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

h. Preferred stock liability

Name	2014.12.31	2013.12.31	2013.1.1
The Company			
Cathay Financial Holding	$30,000,000	$30,000,000	$30,000,000

i. Property transactions

Property transactions between Cathay Life and related parties are in the nature of undertaking contracted prefects, 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:

	2014.1.1~2014.12.31	
Name	Item	Amount
Other related party		
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	$937,306

	2013.1.1~2013.12.31	
Name	Item	Amount
Other related party		
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	$2,570,241

The total amounts of contracted projects for real estate as of 31 December 2014, 31 December 2013, and 1 January 2013, between Cathay Life and San Ching Engineering Co., Ltd. were $5,575,823 thousand, $5,535,807 thousand and $5,483,615 thousand, respectively.

k. Rental income

Name	Item	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary			
Cathay United Bank	Real-estate rental income	$399,485	$376,345
Cathay Century	Real-estate rental income	102,006	102,738
Other related party			
Cathay General Hospital	Real-estate rental income	178,043	174,863
Cathay Hospitality Management Co., Ltd.	Real-estate rental income	135,540	27,667
Total		$815,074	$681,613

According to contracts, leasing periods are generally 2-5 years, and rentals are usually paid on a monthly basis.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

l. Insurance income

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay United Bank	$66,907	$428,978
Other related party		
Others	139,680	123,255
Total	$206,587	$552,233

m. Reinsurance income

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Insurance (Bermuda)	$133,295	$131,331

n. Reinsurance claim payments

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Insurance (Bermuda)	$112,979	$132,439

o. Handling fees income

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Securities Investment Trust	$124,015	$124,880

p. Miscellaneous income

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Century	$1,378,655	$1,296,926
Cathay United Bank	152,080	122,537
Total	$1,530,735	$1,419,463

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

q. Insurance expense

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Century	$160,401	$108,543

The insurance expenses were related to insurance for property and equipment, cash, public accident, etc. Amounts of $11,709 thousand, and $10,407 thousand paid by Cathay Life on behalf of its employees for fidelity bond insurance were included in the above insurance expenses for the years ended 31 December 2014 and 2013, respectively.

r. Operating expenses

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay United Bank	$4,362,064	$2,957,714
Cathay Securities Investment Trust	173,806	134,493
Seaward Card	98,340	108,034
Associate		
Symphox Information	259,002	247,036
Other related party		
Lin Yuan Property Management Co., Ltd.	718,026	675,726
Total	$5,611,238	$4,123,003

s. Non-operating income and expenses

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
The Company		
Cathay Financial Holding	$908,000	$908,000

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

t. Other disclosures

As of 31 December 2014, 31 December 2013, 31 December 2013 and 1 January 2013, the nominal amounts (in thousand) of the financial instruments transactions between Cathay Life and Cathay United Bank are summarized as below:

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Item	2014.12.31	2013.12.31	2013.1.1
CS contracts	USD 250,000	USD 1,045,000	USD 985,000

Cathay Life had entered a credit assignment agreement with Cathay United Bank in the amounts of $307,050 thousand as of 31 December 2014.

B. Cathay United Bank and its subsidiaries

a. Loans and deposits

	Ending balance		
Account/Name	2014.12.31	2013.12.31	2013.1.1
Loans			
Associate			
Tien-Tai Energy Corp.	$112,866	$120,859	$-
Other related parties			
Cathay Real Estate Development Co., Ltd.	280,000	100,000	-
Cathay General Hospital	99,000	99,000	103,000
Others	1,257,566	890,965	385,830
Total	$1,749,432	$1,210,824	$488,830

	Ending balance		
Account/Name	2014.12.31	2013.12.31	2013.1.1
Deposits			
Subsidiaries			
Cathay Life	$29,947,140	$25,559,790	$73,919,996
Cathay Century	1,380,309	1,470,311	1,285,715
Cathay Securities	2,932,284	1,300,263	1,797,618
Cathay Futures	2,006,007	1,920,210	1,978,796
Cathay Securities Investment Trust	297,623	344,818	1,745,795
Cathay Life (Vietnam)	9,086	5,226	1,595
Cathay Century (Vietnam)	118,655	179,870	326,295
Associate			
Symphox Information	153,609	142,617	167,730 (Note)
Other related parties			
Cathay Real Estate Development Co., Ltd.	375,029	226,980	279,019
Cathay Dragon Fund etc.	28,854	1,970,907	3,258,081
Others	9,742,777	8,558,652	7,234,987
Total	$46,991,373	$41,679,644	$91,995,627

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

Name	Interest income 2014.1.1~ 2014.12.31	Interest income 2013.1.1~ 2013.12.31
Loans		
Associate		
Tien-Tai Energy Corp.	$4,099	$1,932
Other related parties		
Cathay Real Estate Development Co., Ltd.	1,807	11,677
Cathay General Hospital	2,921	2,950
Others	24,797	17,138
Total	$33,624	$33,697

Name	Interest expense 2014.1.1~ 2014.12.31	Interest expense 2013.1.1~ 2013.12.31
Deposits		
Subsidiaries		
Cathay Life	$21,682	$324,350
Cathay Century	9,616	9,449
Cathay Securities	5,191	8,560
Cathay Futures	23,731	25,717
Cathay Securities Investment Trust	3,975	7,003
Cathay Life (Vietnam)	171	3,487
Cathay Century (Vietnam)	6,210	116,380
Associate		
Symphox Information	654	1,425
Other related parties		
Cathay Real Estate Development Co., Ltd.	148	177
Cathay Dragon Fund etc.	4,888	14,680
Others	105,204	94,286
Total	$181,470	$605,514

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Account/Name	Ending balance 2014.12.31	2013.12.31	2013.1.1
Call loans to banks			
Other related party			
Vietinbank	$-	$6,554,374	$6,376,067
Due from commercial banks			
Other related party			
Vietinbank	5,035,169	16,175	5,722
Call loans from banks			
Other related party			
Vietinbank	-	3,844,124	2,797,772
Due to commercial banks			
Other related party			
Vietinbank	301,321	1,601	5,722

Account/Name	Interest income 2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Call loans to banks		
Other related party		
Vietinbank	$28,198	$273,916
Call loans from banks		
Other related party		
Vietinbank	171,182	24

Account/Name	Interest expense 2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Call loans from banks		
Other related party		
Vietinbank	$70,906	$241,197
Due to commercial banks		
Other related party		
Vietinbank	85,497	-

Cathay United 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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

b. Receivables due to consolidated income tax

Name	2014.12.31	2013.12.31	2013.1.1
The Company			
Cathay Financial Holding	$-	$256,312	$246,573

c. Receivables due to commission of insurance agency

Name	2014.12.31	2013.12.31	2013.1.1
Subsidiary			
Cathay Life	$455,244	$142,559	$139,104

d. Dividends payable

Name	2014.12.31	2013.12.31	2013.1.1
Other related party			
Vietinbank	$301,321	$119,800	$407,904

e. Combined tax payable

Name	2014.12.31	2013.12.31	2013.1.1
The Company			
Cathay Financial Holding	$229,509	$-	$-

f. Rental expense

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Life	$399,485	$376,345

g. Handling fees income

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Life	$4,362,024	$2,957,714

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

h. Insurance expenses

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Life	$66,907	$428,978
Cathay Century	129,239	101,014
Total	$196,146	$529,992

i. Operating expenses

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Seaward Card	$190,965	$212,710
Cathay Life	152,080	122,537
Associate		
Symphox Information	477,694	429,214
Total	$820,739	$764,461

C. Cathay Century and its subsidiaries

a. Cash in banks

Name	Item	2014.12.31	2013.12.31	2013.1.1
Subsidiaries				
Cathay United Bank	Time deposit	$623,200	$693,131	$695,800
	Cash in bank	655,281	619,878	416,944
	Check deposit	101,828	157,302	172,971
Indovina Bank	Time deposit	104,195	175,808	322,229
	Cash in bank	14,460	4,062	4,066
	Total	$1,498,964	$1,650,181	$1,612,010

Interest income from Cathay United Bank for the years ended 31 December 2014 and 2013 were $9,616 thousand and $9,449 thousand, respectively.

Interest income from Indovina Bank for the years ended 31 December 2014 and 2013 were $6,210thousand and $116,380 thousand, respectively.

As of 31 December 2014, 31 December 2013 and 1 January 2013, time deposit pledged were $23,720 thousand, $33,384 thousand, and $33,231thousand, respectively.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

b. Available-for-sale financial assets

Name	Item	2014.12.31	2013.12.31	2013.1.1
Other related party				
Cathay Dragon Fund etc.	Beneficiary certificates	$292,579	$146,836	$67,557

c. Other payables

Name	2014.12.31	2013.12.31	2013.1.1
The Company			
Cathay Financial Holding	$171,856	$212,790	$172,887
Subsidiary			
Cathay Life	264,638	164,984	141,412
Total	$436,494	$377,774	$314,299

d. Preferred stock liability

Name	2014.12.31	2013.12.31	2013.1.1
The Company			
Cathay Financial Holding	$1,000,000	$1,000,000	$1,000,000

e. Insurance income

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Life	$160,401	$108,543
Cathay United Bank	129,239	101,014
Total	$289,640	$209,557

f. Rental expenses

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Life	$102,006	$102,738

g. Operating expenses

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Life	$1,378,655	$1,296,926

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

h. Other disclosure

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

Item	2014.12.31		2013.12.31		2013.1.1	
CS contracts	USD	58,200	USD	57,450	USD	75,250
	EUR	1,350	EUR	-	EUR	-
IRS	NTD	200,000	NTD	400,000	NTD	400,000

D. Cathay Securities and its subsidiaries

a. Cash in bank

Name	Item	2014.12.31	2013.12.31	2013.1.1
Subsidiary				
Cathay United Bank	Time deposits	$2,321,900	$1,291,900	$1,492,300
	Cash in bank	988,272	331,493	662,848
	Check deposits	1	1	1
	Total	$3,310,173	$1,623,394	$2,155,149

Interest income from Cathay United Bank for the years ended 31 December 2014 and 2013 were $28,922 thousand and $34,277 thousand, respectively.

As of 31 December 2014, 31 December 2013 and 1 January 2013, time deposit pledged were $2,000,000 thousand, $1,000,000 thousand and $1,000,000 thousand, 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 31 December 2014, 31 December 2013 and 1 January 2013, the operating bonds were $90,000 thousand, $90,000 thousand and $65,000 thousand, respectively.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

b. Customer's margin accounts

Name	Ending balance 2014.12.31	2013.12.31	2013.1.1
Subsidiary			
Cathay United Bank	$1,628,118	$1,597,079	$1,621,265

c. Financial assets at fair value through profit or loss

Name	Ending balance 2014.12.31	2013.12.31	2013.1.1
Other related party			
Cathay Dragon Fund etc.	$518,404	$30,450	$-

d. Other payables

Name	2014.12.31	2013.12.31	2013.1.1
The Company			
Cathay Financial Holding	$-	$-	$111,308

e. Futures trader's equity

Name	2014.12.31	2013.12.31	2013.1.1
Subsidiary			
Cathay Life	$515,748	$711,826	$364,739
Other related party			
Cathay Dragon Fund etc.	160,074	153,195	166,848
Total	$675,822	$865,021	$531,587

E. Cathay Securities Investment Trust

a. Cash in bank, Operating deposit and Guarantee deposit

Name	Item	2014.12.31	2013.12.31	2013.1.1
Subsidiary				
Cathay United Bank	Time deposit (Note)	$185,744	$323,850	$1,720,550
	Cash in bank	6,131	75	28
	Check deposits	105,748	20,893	25,217
	Total	$297,623	$344,818	$1,745,795

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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 31 December 2014, 31 December 2013 and 1 January 2013, the operating bonds were $50,000 thousand, $50,000 thousand and $50,000 thousand, respectively.

And in accordance with "Discretionary Investment Services Contract", as of 31 December 2014, 31 December 2013 and 1 January 2013, Cathay Securities Investment Trust reserved the performance bonds amounted to $126,100 thousand, $160,100 thousand and $145,000 thousand, respectively.

Interest income from Cathay United Bank for the years ended 31 December 2014 and 2013 were $3,975thousand and $7,003 thousand, respectively.

d. Available-for-sale financial assets

Name	2014.12.31	2013.12.31	2013.1.1
Subsidiary			
Cathay Dragon Fund etc.	$126,726	$143,232	$128,032

c. Management fee income

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Life	$173,806	$134,493
Other related party		
Cathay Dragon Fund etc.	1,027,645	992,052
Total	$1,201,451	$1,126,545

d. Operating expense

Name	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Subsidiary		
Cathay Life	$124,015	$124,880

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

36. Pledged assets

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

		Carrying amount		
Item	Guarantee purpose	2014.12.31	2013.12.31	2013.1.1
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, loans, business reserves and guarantees	$4,477,720	$2,830,092	$2,559,994
Guarantee deposits paid	Government bonds and court guarantees	10,328,057	10,553,803	10,277,450
Financial assets at fair value through profit or loss	Business reserves and guarantees, the operation of electronic gift certificate and customers' rights	-	-	45,103
Available-for-sale financial assets	Business reserves and guarantees	1,192,331	1,473,453	1,603,158
Held-to-maturity financial assets	Business reserves and guarantees	1,556,065	862,710	610,570
Investments in debt securities with no active market	Business reserves and guarantees	62,000,000	50,100,000	50,100,000
Other financial assets	Trust accounts	-	-	10
Total		$79,554,173	$65,820,058	$65,196,285

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 $991,002 thousand and $3,090,000 thousand. The lawsuit was in litigation procedures in July 2007. Cathay United Bank won the lawsuit on 13 August, 2014. However, Lee and Li, Attorneys-at-Law lodged an appeal. Thus, the case is still pending. 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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(2) Cathay Securities and its subsidiaries

As of 31 December 2014, Cathay Securities and its subsidiaries requested financial institutions issue letters of guarantees for security borrowing of $300,000 thousand.

(3) As of 31 December 2014, 31 December 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	2014.12.31	2013.12.31	2013.1.1
Trust and security held for safekeeping	$541,504,312	$438,098,386	$337,334,621
Travelers checks for sale	479,398	559,217	462,167
Bills for collection	44,743,087	44,881,814	39,523,311
Book-entry for government bonds and depository for short-term marketable securities under management	473,027,900	573,257,300	564,494,500
Entrusted financial management business	6,697,886	3,190,719	2,385,838
Guarantees on duties and contracts	12,105,996	11,270,885	12,081,454
Unused commercial letters of credit	5,868,097	4,285,167	4,953,767
Irrevocable loan commitments	162,408,907	165,758,492	34,515,262
Credit card lines commitments	418,869,162	379,995,132	295,994,089
Stamp tax, securities and memorial currency consignments	-	1,006	1,006
Financial guarantee contracts	1,743,626	575,284	9,132,790

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

	2014.12.31	2013.12.31	2013.1.1
Within 1 year	$1,342,587	$966,282	$884,866
1 to 5 years	2,462,110	1,552,038	1,214,969
Over 5 year	162,395	71,450	118,602
	$3,967,092	$2,589,770	$2,218,437

38. Significant disaster losses:

None.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

39. Subsequent events:

Resolved by the Company's board of directors on 6 February 2015, Cathay Securities and its subsidiaries decided to acquire 100% shares of Horizon Securities (Hongkong) Limited, in order to expand the operating area overseas. The acquisition price is estimated at HK $40,000 thousand, and the real price will depend on the adjusted net value of the company on the transaction date. The acquisition will not be effective until the government organization authorize it.

40. Other significant matters

(1) Financial instruments related information

The Group

A. Categories of financial instruments

	2014.12.31	2013.12.31	2013.1.1
Financial assets			
Financial assets at fair value through profit or loss	$223,007,168	$244,023,246	$146,746,672
Available-for-sale financial assets -net	1,405,300,159	1,357,106,776	1,302,743,262
Derivative financial assets for hedging	665,390	1,300,914	2,362,366
Held-to-maturity financial assets -net	81,658,512	54,970,153	24,380,985
Other financial assets - investments with no active market	1,629,251,574	1,305,675,228	1,242,279,799
Loans and receivables:			
Cash and cash equivalents (petty cash and cash on hand excluded)	418,760,599	317,204,356	300,170,090
Due from the Central Bank and call loans to banks	151,289,044	151,945,066	109,003,762
Securities purchased under agreements to resell	56,515,170	12,960,817	15,749,244
Receivables -net	134,368,376	169,590,966	109,911,278
Loans -net	1,812,773,579	1,667,391,682	1,521,712,123
Other financial assets	502,563,723	419,122,589	363,020,410
Guarantee deposits paid	113,890,804	83,128,253	66,270,817
Subtotal	3,190,161,295	2,821,343,729	2,485,837,724
Total	$6,530,044,098	$5,784,420,046	$5,204,350,808

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2014.12.31	2013.12.31	2013.1.1
Financial liabilities			
Financial liabilities at fair value through profit or loss	$108,286,154	$28,754,621	$9,086,346
Derivative financial liabilities for hedging	-	5,148	-
Financial liabilities at amortized cost:			
Due to the Central Bank and call loans from banks	58,816,432	56,985,225	56,934,246
Bankers acceptances and funds borrowed	1,585,900	1,497,500	1,456,800
Securities sold under agreements to repurchase	62,021,921	60,931,600	22,046,517
Commercial paper payable -net	26,790,000	10,050,000	5,540,000
Payables	50,417,151	37,548,440	60,740,926
Deposits	1,702,302,143	1,585,031,001	1,458,392,976
Bonds payable	107,613,949	92,417,213	89,831,007
Other financial liabilities	543,279,993	413,414,217	348,229,937
Guarantee deposits received	4,082,301	3,167,092	3,139,941
Subtotal	2,556,909,790	2,261,042,288	2,046,312,350
Total	$2,665,195,944	$2,289,802,057	$2,055,398,696

B. Fair value of financial instruments at amortized cost:

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

	Book value		
	2014.12.31	2013.12.31	2013.1.1
Financial assets			
Held-to-maturity financial assets -net	$81,658,512	$54,970,153	$24,380,985
Investments with no active market	1,629,251,574	1,305,675,228	1,242,279,799
Total	$1,710,910,086	$1,360,645,381	$1,266,660,784

	Fair value		
	2014.12.31	2013.12.31	2013.1.1
Financial assets			
Held-to-maturity financial assets -net	$83,688,619	$55,977,454	$27,346,777
Investments with no active market	1,654,586,314	1,277,291,234	1,292,295,864
Total	$1,738,274,933	$1,333,268,688	$1,319,642,641

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.

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:

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

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

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

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

	2014.12.31				2013.12.31			
Financial instruments measured at fair value item	Total	1st Level	2nd Level	3rd Level	Total	1st Level	2nd Level	3rd Level
Non-derivative financial instruments								
Assets								
Financial assets at fair value through profit or loss:								
Stocks	$12,169,886	$12,169,886	$-	$-	$15,213,250	$15,213,250	$-	$-
Bonds	18,429,803	6,336,177	12,093,626	-	16,042,556	10,011,547	6,031,009	-
Others	145,521,932	33,268,624	112,253,308	-	199,567,225	43,465,884	156,101,341	-
Available-for-sale financial assets:								
Stocks	501,930,637	484,850,189	17,080,448	-	436,868,466	423,638,735	13,229,731	-
Bonds	691,525,641	45,007,434	646,518,207	-	783,310,158	24,228,153	759,082,005	-
Others	211,843,881	167,888,562	21,360,838	22,594,481	136,928,152	100,705,608	23,119,841	13,102,703
Liabilities								
Financial liabilities at fair value through profit or loss	33,572,019	825,384	32,746,635	-	1,463,949	966,947	497,002	-
Derivative financial instruments								
Assets								
Financial assets at fair value through profit or loss	46,885,547	226,944	46,658,603	-	13,200,215	418,957	12,781,258	-
Other financial assets:								
Derivatives financial assets for hedging	665,390	-	665,390	-	1,300,914	-	1,300,914	-
Liabilities								
Financial liabilities at fair value through profit or loss	74,714,135	564,455	74,149,680	-	27,290,672	665,869	26,624,803	-
Other financial liabilities:								
Derivatives financial liabilities for hedging	-	-	-	-	5,148	-	5,148	-

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.1.1			
Financial instruments measured at fair value item	Total	1st Level	2nd Level	3rd Level
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss:				
Stocks	$14,896,788	$14,896,788	$-	$-
Bonds	7,721,892	2,866,200	4,855,692	-
Others	114,073,343	36,619,578	77,453,765	-
Available-for-sale financial assets:				
Stocks	295,434,057	285,026,021	10,408,036	-
Bonds	891,487,105	56,266,713	835,220,392	-
Others	115,822,100	88,229,855	19,951,630	7,640,615
Liabilities				
Financial liabilities at fair value through profit or loss	1,503,682	1,503,682	-	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	10,054,649	648,848	9,405,801	-
Other financial assets:				
Derivatives financial assets for hedging	2,362,366	17,134	2,345,232	-
Liabilities				
Financial liabilities at fair value through profit or loss	7,582,664	203,241	7,379,423	-

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.

2014.1.1~2014.12.31

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 3rd level	Disposal or settlements	Transfer out of 3rd level	
Available-for-sale financial assets	$13,102,703	$742,405	$1,284,107	$10,324,616	$-	$(2,859,350)	$-	$22,594,481

2013.1.1~2013.12.31

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 3rd level	Disposal or settlements	Transfer out of 3rd level	
Available-for-sale financial assets	$7,640,615	$419,851	$680,788	$7,729,295	$-	$(3,367,846)	$-	$13,102,703

(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:

(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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

b. Concentration risk

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

31 December 2014

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	$155,570,924	$65,064	$15,377,951	$81,151,066	$78,106,409	$330,271,414
Financial assets at fair value through profit or loss	6,057,829	148,380	12,036,445	5,534,312	-	23,776,966
Available-for-sale financial assets	327,471,560	25,955,362	72,891,378	141,313,916	47,748,463	615,380,679
Derivative financial assets for hedging	67,020	-	60,579	85,299	-	212,898
Bond investments for which no active market exists	74,913,829	85,686,191	252,923,226	508,886,440	330,452,150	1,252,861,836
Held-to-maturity financial assets	24,092,675	-	-	-	-	24,092,675
Other financial assets	35,700,000	-	3,500,000	-	-	39,200,000
Total	$623,873,837	$111,854,997	$356,789,579	$736,971,033	$456,307,022	$2,285,796,468
Proportion	27.3%	4.9%	15.6%	32.2%	20.0%	100.0%

31 December 2013

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%

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

1 January 2013

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%

c. Credit Quality

Classification of credit quality for financial assets of Cathay Life:

31 December 2014

Financial assets	Normal assets: Investment grade	Normal assets: Non-investment grade and unrated	Past due but not impaired	Impaired	Provision for impairment	Total
Cash and cash equivalents	$330,271,414	$-	$-	$-	$-	$330,271,414
Financial assets at fair value through profit or loss	21,699,393	2,077,573	-	-	-	23,776,966
Available-for-sale financial assets	613,929,204	1,451,475	-	735,000	(735,000)	615,380,679
Derivative financial assets for hedging	212,898	-	-	-	-	212,898
Bond investments for which no active market exists	1,244,093,897	8,767,939	-	412,334	(412,334)	1,252,861,836
Held-to-maturity financial assets	24,092,675	-	-	-	-	24,092,675
Other financial assets	39,200,000	-	-	-	-	39,200,000
Total	$2,273,499,481	$12,296,987	$-	$1,147,334	$(1,147,334)	$2,285,796,468
Proportion	99.5%	0.5%	-	0.1%	(0.1%)	100.0%

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

31 December 2013

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

1 January 2013

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

Note： 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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

31 December 2014

Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	$377,723,395	$58,012,016	$93,625,433	$529,360,844
Overdue receivables	146,055	102,032	39,935	288,022
Total	$377,869,450	$58,114,048	$93,665,368	$529,648,866
Proportion	71%	11%	18%	100%

31 December 2013

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%

1 January 2013

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%

e. Secured loans and overdue receivables

31 December 2014

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	$248,751,904	$173,044,802	$48,433,735	$110,559	$4,146,863	$474,487,863	$2,937,298	$471,550,565
Corporate finance	45,860,895	4,087,364	1,296,959	-	3,915,785	55,161,003	1,305,923	53,855,080
Total	$294,612,799	$177,132,166	$49,730,694	$110,559	$8,062,648	$529,648,866	$4,243,221	$525,405,645

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

31 December 2013

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

1 January 2013

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

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		
	Due in 1~2 months	Due in 2~3 months	Total
31 December 2014	$67,555	$43,004	$110,559
31 December 2013	109,251	14,217	123,468
1 January 2013	157,700	26,242	183,942

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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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.

31 December 2014	Less than six months	Due in 6~12 months	Due in 1~2 years	Due in 2~5 years	Over 5 years	Total
Short-term debts	$232,616	$-	$-	$-	$-	$232,616
Payables	19,631,268	4,366,995	140	-	-	23,998,403
Preferred stock liability	-	15,514,932	10,660,322	5,266,005	-	31,441,259

31 December 2013	Less than six months	Due in 6~12 months	Due in 1~2 years	Due in 2~5 years	Over 5 years	Total
Payables	$15,566,483	$3,458,995	$198	$-	$-	$19,025,676
Preferred stock liability	-	-	908,000	31,441,259	-	32,349,259

1 January 2013	Less than six months	Due in 6~12 months	Due in 1~2 years	Due in 2~5 years	Over 5 years	Total
Short-term debts	$297,268	$-	$-	$-	$-	$297,268
Payables	35,522,453	-	2,551,202	-	-	38,073,655
Preferred stock liability	-	-	908,000	27,176,254	5,173,005	33,257,259

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

d. Maturity analysis of derivative financial liability:

31 December 2014	Less than six months	Due in 6~12 months	Due in 1~2 years	Due in 2~5 years	Over 5 years	Total
IRS	$19,020	$11,683	$17,492	$(28,827)	$-	$19,368
Forward	6,212,446	668,956	-	-	-	6,881,402
CS	35,156,563	9,210,915	69,380	-	-	44,436,858

31 December 2013	Less than six months	Due in 6~12 months	Due in 1~2 years	Due in 2~5 years	Over 5 years	Total
IRS	$21,501	$9,505	$(10,901)	$34,514	$-	$54,619
Forward	5,002,896	78,514	-	-	-	5,081,410
CS	10,599,472	1,026,096	853,795	-	-	12,479,363

1 January 2013	Less than six months	Due in 6~12 months	Due in 1~2 years	Due in 2~5 years	Over 5 years	Total
IRS	$29,350	$24,891	$42,985	$9,010	$-	$106,236
Forward	1,844,950	-	-	-	-	1,844,950
CS	4,047,504	2,333,184	370,735	-	-	6,751,423

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 measures 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.

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:

j 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.

k 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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Table of Stress Testing
2014.1.1~2014.12.31

Risk Factors	Changes (+/-)	Gain(loss)
Equity risk (Stock index)	-10%	$(48,138,539)
Interest rate risk (Yield curve)	+20bps	(7,784,259)
Exchange risk (Foreign exchange rate)	USD weakens against NTD by $1	(19,120,880)
Commodity risk (Price)	-10%	-

Table of Stress Testing
2013.1.1~2013.12.31

Risk Factors	Changes (+/-)	Gain(loss)
Equity risk (Stock index)	-10%	$(46,999,080)
Interest rate risk (Yield curve)	+20bps	(9,234,642)
Exchange risk (Foreign exchange rate)	USD weakens against NTD by $1	(16,339,965)
Commodity risk (Price)	-10%	-

Note1: Impacts of credit spread changes are not included
Note2: effects of hedging are included

(C) Sensitivity Analysis

Summarization of Sensitivity Analysis
2014.1.1~2014.12.31

Risk Factors	Variables (+/-)		Change in Income	Change in Equity
Foreign currency risk	USD	appreciates 1%	$2,821,966	$3,242,795
	CNY/CNH	appreciates 1%	2,050,506	189,403
	HKD	appreciates 1%	29,968	473,829
	EUR	appreciates 1%	243,457	75,768
	GBP	appreciates 1%	164,023	32,050
Interest rate risk	Yield curve (USD)	parallelly shifts up 1 bp	-	(123,884)
	Yield curve (AUD)	parallelly shifts up 1 bp	-	(303)
	Yield curve (EUR)	parallelly shifts up 1 bp	-	(12,218)
	Yield curve (NTD)	parallelly shifts up 1 bp	5,108	(247,919)
Equity price risk	Equity price increases 1%		56,827	4,757,027

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Summarization of Sensitivity Analysis
2013.1.1~2013.12.31

Risk Factors	Variables (+/-)		Change in Income	Change in Equity
Foreign currency risk	USD	appreciates 1%	$2,583,761	$2,310,059
	CNY/CNH	appreciates 1%	1,979,293	115,983
	HKD	appreciates 1%	8,545	421,556
	EUR	appreciates 1%	296,561	147,289
	GBP	appreciates 1%	226,751	30,291
Interest rate risk	Yield curve (USD)	parallel shift+1bp	38,897	(165,981)
	Yield curve (AUD)	parallel shift+1bp	-	(727)
	Yield curve (EUR)	parallel shift+1bp	-	(2,368)
	Yield curve (NTD)	parallel shift+1bp	4,030	(295,576)
Equity price risk	Equity price increases 1%		161,406	4,538,502

Note 1: Impacts of credit charges are not included.

Note 2: effects of hedging are included

Note 3: Impacts of change in income are not included in the calculation of change in equity.

Note 4: 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.

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.

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.

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.

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.

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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

c. Procedure of risk management of equity prices

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

d. Measured methodology

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

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

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

2014.12.31			
Factors of market risk	Average balance	Maximum balance	Minimum balance
Interest rate	$524,614	$677,094	$311,553
Foreign exchange	223,383	576,443	112,986
Equity Securities price	249,507	353,880	150,959

2013.12.31			
Factors of market risk	Average balance	Maximum balance	Minimum balance
Interest rate	$555,070	$772,357	$311,553
Foreign exchange	148,142	154,844	144,266
Equity Securities price	231,969	352,855	133,386

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.1.1			
Factors of market risk	Average balance	Maximum balance	Minimum balance
Interest rate	$611,347	$876,417	$457,036
Foreign exchange	156,656	162,280	146,608
Equity Securities price	124,933	165,277	60,704

Cathay United Bank enters into a variety of derivatives transactions for both trading and non-trading purposes. The objectives in using derivative instruments are to meet customers' needs, to manage Cathay United Bank's exposure to risks and to generate revenues through trading activities. Cathay United Bank trades derivative instruments on behalf of customers and for its own positions. Cathay United Bank provides derivative contracts to address customers' demands for customized derivatives and also takes proprietary positions for its own accounts.

Stress testing

The stress testing is used to measure the maximum losses of risk asset portfolio under the worst scenario. Cathay United Bank's stress testing considers various types of risk factors and reporting the results to the executive management.

Stress Test				
Market/ Product	Scenarios	2014.12.31	2013.12.31	2013.01.01
Stock Market	Major Stock Exchanges +15%	$1,765,050	$1,211,069	$1,025,960
	Major Stock Exchanges +15%	(1,765,050)	(1,211,069)	(1,025,960)
Interest Rate/ Bond Market	Major Interest Rate + 100bp	(5,908,080)	(4,564,436)	(2,821,676)
	Major Interest Rate - 100bp	5,970,250	4,796,889	2,496,083
Foreign Exchange Market	Major Currencies + 3%	3,056,861	1,703,503	1,450,437
	Major Currencies - 3%	(3,056,861)	(1,703,201)	(1,365,947)
Composite	Major Stock Exchanges -15% Major Interest Rate + 100bp Major Currencies +3%	(4,616,269)	(4,072,002)	(2,397,199)

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

		2014.12.31	
		Sensitivity of profit or loss	Sensitivity of equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	$630,713	$1,529
	HKD+1%	3,242	2,891
	JPY+1%	505	1,376
	AUD+1%	23,342	-
	CNY+1%	285,215	47,906
	NTD+1%	(943,017)	(53,701)
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	702	(21,956)
	Yield curves (HKD) parallel shift+1bp	-	(88)
	Yield curves (JPY) parallel shift+1bp	(3)	-
	Yield curves (AUD) parallel shift+1bp	-	(845)
	Yield curves (CNY) parallel shift+1bp	268	(14,108)
	Yield curves (NTD) parallel shift+1bp	(151)	(792)
Equity securities price factor sensitivity (Equity Delta)	Equity securities price parallel shift+1bp	-	117,670

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

		2013.12.31	
		Sensitivity of profit or loss	Sensitivity of equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	$463,690	$1,294
	HKD+1%	123,647	-
	JPY+1%	-	3,736
	AUD+1%	16,696	-
	CNY+1%	4,261	-
	NTD+1%	(594,806)	(6,258)
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(249)	(27,121)
	Yield curves (HKD) parallel shift+1bp	-	(29)
	Yield curves (AUD) parallel shift+1bp	-	(923)
	Yield curves (CNY) parallel shift+1bp	-	(637)
	Yield curves (NTD) parallel shift+1bp	(5,171)	(12,667)
Equity securities price factor sensitivity (Equity Delta)	Equity securities price parallel shift+1bp	-	80,738

		2013.01.01	
		Sensitivity of profit or loss	Sensitivity of equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	$411,904	$5,220
	HKD+1%	3,042	-
	JPY+1%	1	-
	NTD+1%	(458,563)	(5,769)
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(349)	(18,027)
	Yield curves (HKD) parallel shift+1bp	-	(30)
	Yield curves (JPY) parallel shift+1bp	-	(1)
	Yield curves (NTD) parallel shift+1bp	(771)	(8,373)
Equity securities price factor sensitivity (Equity Delta)	Equity securities price parallel shift+1bp	-	68,397

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.

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.

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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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		
	2014.12.31	2013.12.31	2013.1.1
Irrevocable loan commitments	$162,105,192	$165,615,358	$34,415,264
Credit card commitments	468,810,255	424,006,617	328,719,949
Unused commercial letters of credit	4,903,594	3,202,955	4,281,218
Guarantees on duties and contracts	12,105,996	11,270,885	12,081,454
Total	$647,925,037	$604,095,815	$379,497,885

(B) Indovina Bank

Off balance sheet items	Maximum exposure to credit risk		
	2014.12.31	2013.12.31	2013.01.01
Finance guarantee contracts	$1,727,450	$535,478	$852,596
Unused commercial letters of credit	964,503	1,080,247	652,199
Total	$2,691,953	$1,615,725	$1,504,795

(C) CUBC Bank

Off balance sheet items	Maximum exposure to credit risk		
	2014.12.31	2013.12.31	2013.01.01
Finance guarantee contracts	$16,176	$39,806	$60,683
Irrevocable loan commitments	303,715	143,134	99,998
Credit card commitments	264,908	201,715	199,925
Unused commercial letters of credit	-	1,965	20,350
Total	$584,799	$386,620	$380,956

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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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:

	2014.12.31		2013.12.31		2013.01.01	
Item	amount	%	amount	%	amount	%
Industry type						
Manufacturing	$91,268,082	7.93	$108,789,196	10.28	$125,610,955	12.20
Financial institutions and insurance	40,065,497	3.48	28,292,338	2.67	29,912,516	2.90
Leasing and real estate	89,080,389	7.74	83,652,734	7.91	83,834,530	8.14
Individuals	552,513,647	47.99	477,139,793	45.10	492,107,196	47.77
Others	378,383,937	32.86	360,081,097	34.04	298,671,240	28.99
Total	$1,151,311,552	100.00	$1,057,955,158	100.00	$1,030,136,437	100.00

	2014.12.31		2013.12.31		2013.01.01	
Item	amount	%	amount	%	amount	%
Geographic Region						
Domestic	$969,952,473	84.25	$897,636,851	84.85	$876,857,476	85.12
Asia	75,168,904	6.53	69,004,148	6.52	69,497,214	6.75
America	27,630,814	2.40	23,217,152	2.19	22,560,687	2.19
Others	78,559,361	6.82	68,097,007	6.44	61,221,060	5.94
Total	$1,151,311,552	100.00	$1,057,955,158	100.00	$1,030,136,437	100.00

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

f. Credit quality analysis of the financial assets

Some of the financial assets held by Cathay United Bank and its subsidiaries, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit and loss, securities purchased under agreements to resell, refundable deposits, operating deposits and settlement fund, are excluded from this analysis since the counterparty is normally with good credit quality and is considered as low credit risk.

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

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

2014.12.31	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	$36,215,384	$8,098,669	$3,211,612	$47,525,665	$127,437	$151,434	$47,804,536	$124,337	$1,460,069	$46,220,130
Others	30,659,596	2,078,710	65,478	32,803,784	4,085	41,314	32,849,183	13,245	239,149	32,596,789
Discounts and loans	699,208,322	350,838,296	40,974,472	1,091,021,090	719,295	21,477,857	1,113,218,242	5,130,139	12,544,674	1,095,543,429

2013.12.31	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

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

<table>
<tr><th rowspan="2">2013.01.01</th><th colspan="4">Neither past due nor impaired</th><th rowspan="2">Past due but not impaired (B)</th><th rowspan="2">Impaired (C)</th><th rowspan="2">Total (A)+(B)+(C)</th><th colspan="2">Impairment allowances (D)</th><th rowspan="2">Net balance (A)+(B)+(C)-(D)</th></tr>
<tr><th>Excellent</th><th>Good</th><th>Average</th><th>Subtotal (A)</th><th>With objective evidence of impairment individual</th><th>Without objective evidence of impairment individual</th></tr>
<tr><td>Receivables</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Credit card business</td><td>$26,857,133</td><td>$6,221,934</td><td>$2,874,072</td><td>$35,953,139</td><td>$111,701</td><td>$127,992</td><td>$36,192,832</td><td>$108,337</td><td>$1,798,623</td><td>$34,285,872</td></tr>
<tr><td>Others</td><td>15,398,473</td><td>1,046,175</td><td>47,366</td><td>16,492,014</td><td>5,871</td><td>49,694</td><td>16,547,579</td><td>7,801</td><td>91,694</td><td>16,448,084</td></tr>
<tr><td>Discounts and loans</td><td>670,693,846</td><td>255,821,555</td><td>44,369,776</td><td>970,885,177</td><td>816,751</td><td>26,753,925</td><td>998,455,853</td><td>3,838,785</td><td>9,198,147</td><td>985,418,921</td></tr>
</table>

(B) The credit quality analysis on neither past due nor impaired discounts and loans

2014.12.31	Excellent	Good	Average	Total
Consumer banking				
Residential mortgage loans	$217,655,648	$53,233,632	$9,499,880	$280,389,160
Unsecured personal loans	14,417,868	9,725,173	2,858,644	27,001,685
Other	211,436,330	42,382,203	6,339,793	260,158,326
Corporate banking				
Secured	45,361,610	138,283,374	14,157,140	197,802,124
Unsecured	210,336,866	107,213,914	8,119,015	325,669,795
Total	$699,208,322	$350,838,296	$40,974,472	$1,091,021,090

2013.12.31	Excellent	Good	Average	Total
Consumer banking				
Residential mortgage loans	$195,160,827	$55,381,641	$9,553,020	$260,095,488
Unsecured personal loans	8,689,745	4,770,432	1,242,249	14,702,426
Other	158,450,771	40,060,781	6,522,148	205,033,700
Corporate banking				
Secured	97,204,460	85,057,423	23,265,825	205,527,708
Unsecured	214,426,607	95,097,422	6,225,796	315,749,825
Total	$673,932,410	$280,367,699	$46,809,038	$1,001,109,147

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.01.01	Excellent	Good	Average	Total
Consumer banking				
Residential mortgage loans	$210,365,875	$57,522,974	$11,752,064	$279,640,913
Unsecured personal loans	5,023,910	2,625,973	1,097,468	8,747,351
Other	142,126,809	38,303,966	7,442,926	187,873,701
Corporate banking				
Secured	119,997,846	78,926,054	17,549,751	216,473,651
Unsecured	193,179,406	78,442,588	6,527,567	278,149,561
Total	$670,693,846	$255,821,555	$44,369,776	$970,885,177

(C) Credit quality analysis on securities investment

2014.12.31	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	$67,993,931	$500,000	$68,493,931	$-	$-	$68,493,931	$-	$68,493,931
Stocks	1,983,472	12,892,436	14,875,908	-	163,785	15,039,693	163,785	14,875,908
Others	256,522	382,107	638,629	-	-	638,629	-	638,629
Held-to-maturity financial assets								
Bonds	50,516,169	630,902	51,147,071	-	-	51,147,071	-	51,147,071
Investments in debt securities with no active market								
Bonds	7,272,881	385,102	7,657,983	-	1,454,521	9,112,504	1,454,521	7,657,983
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	361,120,000	-	361,120,000	-	-	361,120,000	-	361,120,000

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.12.31	Neither past due nor impaired							
	Investment grade	Non-investment grade and non-credit rating	Subtotal (A)	Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
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

2013.01.01	Neither past due nor impaired							
	Investment grade	Non-investment grade and non-credit rating	Subtotal (A)	Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(D) Aging analysis on past due but not impaired financial assets of Cathay United Bank

Past due but not impaired loans might result from some temporary administration reasons so the customers is in the early stages of delinquency but no actual impairment has occurred yet. Unless there is other objective evidence shown otherwise, according to internal credit risk assets impairment evaluation guideline, a loan that is past due for no more than 30 days is typically not to be treated as impairment.

2014.12.31	Less than 30 days	31 - 60 days	Total
Receivables			
Credit card business	$75,034	$52,403	$127,437
Others	2,440	1,645	4,085
Discounts and loans			
Consumer banking			
Residential mortgage loans	235,686	90,194	325,880
Unsecured personal loans	27,609	18,503	46,112
Others	126,202	53,410	179,612
Corporate banking			
Secured	3,546	-	3,546
Unsecured	164,145	-	164,145

2013.12.31	Less than 30 days	31 - 60 days	Total
Receivables			
Credit card business	$70,578	$60,353	$130,931
Others	2,263	1,850	4,113
Discounts and loans			
Consumer banking			
Residential mortgage loans	191,508	65,998	257,506
Unsecured personal loans	19,377	9,937	29,314
Others	142,730	70,097	212,827
Corporate banking			
Secured	-	40,814	40,814

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.01.01	Less than 30 days	31 - 60 days	Total
Receivables			
Credit card business	$67,641	$44,060	$111,701
Others	4,123	1,748	5,871
Discounts and loans			
Consumer banking			
Residential mortgage loans	375,157	92,963	468,120
Unsecured personal loans	6,895	3,132	10,027
Others	239,662	94,270	333,932
Corporate banking			
Secured	3,216	-	3,216
Unsecured	1,456	-	1,456

D. Liquidity risk

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. The Management Committee of Assets and Liabilities is responsible for planning liquidity risk management strategy. The Finance Division is responsible for daily operation and execution, including measuring liquidity risk, performing sensitivity analysis of interest rates, scenario analysis and planning emergency responses. Liquidity is also managed by quantitatively managing and adjusting liquidity gap according to variation of cash flows and economy. Expectation of or exposure to significant changes in liquidity risk are immediately reported to the board of directors.

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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(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.

2014.12.31	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	$26,915,849	$15,414,504	$15,573,738	$115,199	$58,019,290
Funds borrowed from Central Bank and other banks	1,586,505	-	-	-	1,586,505
Securities sold under agreements to repurchase	59,719,068	-	-	-	59,719,068
Payables	11,827,816	5,480,307	444,813	582,021	18,334,957
Deposits and remittances	250,795,372	699,520,712	673,027,048	90,309,859	1,713,652,991
Financial debentures payable	22,736	338,653	5,037,213	62,421,857	67,820,459
Other capital outflow at maturity	30,639,975	32,636,025	12,035,871	4,753,158	80,065,029

2013.12.31	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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.01.01	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

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:

2014.12.31	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	$(2,201)	$(19,657)	$(178,144)	$(1,702,407)	$(1,902,409)
- Interest rate derivative instruments	9,118	39,821	16,939	9,337,121	9,402,999
Total	$6,917	$20,164	$(161,205)	$7,634,714	$7,500,590

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.12.31	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

2013.01.01	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

(B) Maturity analysis of gross settled derivative financial instruments

Gross settled derivatives engaged by Cathay United Bank include:

i. Foreign exchange derivative instruments: currency futures and swaps;
ii. Interest rate derivative instruments: cross currency swaps;
iii. Credit derivative instruments: all derivatives shown in gross pay a periodic fee in return for a payment by the protection seller upon the occurrence, if any, of such a credit event.

The contract maturity date is the basic element to understand Cathay United Bank's gross settled derivative instruments as at balance sheet dates. The amount disclosed is based on the contractual cash flows and may be different from that included in the consolidated balance sheets. Maturity analysis of gross settled derivative financial liabilities was as follows:

2014.12.31	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	$(1,996,256)	$(2,904,077)	$(1,044,124)	$1,024,086	$(4,920,371)
-Cash inflow	316,962	734,255	637,003	35,858	1,724,078
- Interest rate derivative instruments					
-Cash outflow	(219,291)	(50,824)	(262,573)	(703,326)	(1,236,014)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(2,215,547)	(2,954,901)	(1,306,697)	320,760	(6,156,385)
Cash inflow subtotal	316,962	734,255	637,003	35,858	1,724,078
Net cash flow	$(1,898,585)	$(2,220,646)	$(669,694)	$356,618	$(4,432,307)

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.12.31	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)

2013.01.01	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	$(1,029,082)	$(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)

c. Maturity analysis of off-balance sheet items

(A) Irrevocable commitments: 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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(C) Leasing commitments: Cathay United Bank acts as a lessor/lessee in an irrevocable operating lease agreement and the minimum lease payments are shown as follows:

2014.12.31	Not later than 1 year	1~5 year	Later than 5 year	Total
Irrevocable commitments	$170,162,476	$204,439,128	$256,313,843	$630,915,447
Financial guarantee contracts	14,895,131	2,099,987	14,472	17,009,590
Leasing commitments				
Non-cancellable operating lease payments	935,953	1,592,742	84,939	2,613,634
Total	$185,993,560	$208,131,857	$256,413,254	$650,538,671

2013.12.31	Not later than 1 year	1~5 year	Later than 5 year	Total
Irrevocable commitments	$209,239,328	$125,932,919	$254,449,728	$589,621,975
Financial guarantee contracts	13,695,430	763,290	15,120	14,473,840
Leasing commitments				
Non-cancellable operating lease payments	597,184	740,153	63,081	1,400,418
Total	$223,531,942	$127,436,362	$254,527,929	$605,496,233

2013.01.01	Not later than 1 year	1~5 year	Later than 5 year	Total
Irrevocable commitments	$58,419,184	$136,578,962	$168,137,067	$363,135,213
Financial guarantee contracts	15,532,327	821,920	8,425	16,362,672
Leasing commitments				
Non-cancellable operating lease payments	553,733	553,135	-	1,106,868
Total	$74,505,244	$137,954,017	$168,145,492	$380,604,753

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.

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.

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(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.

b. Credit concentration risk analysis

(A) The amounts of credit risk exposure of Cathay Century and its subsidiaries' financial assets are as follows:

	The amount of credit risk exposure - by area					
	2014.12.31					
Financial assets	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	$4,104,523	$399	$20,945	$1,144,039	$2,743,021	$8,012,927
Financial assets at fair value through profit or loss	1,303,979	-	-	-	210,165	1,514,144
Available-for-sale financial assets	6,774,531	-	144,333	175,223	1,162,517	8,256,604
Derivative financial assets for hedging	3,747	-	-	-	-	3,747
Bond investments with no active market exists	1,050,000	-	340,597	805,258	1,163,459	3,359,314
Held-to-maturity investments	190,572	-	155,490	1,264,985	1,036,217	2,647,264
Total	$13,427,352	$399	$661,365	$3,389,505	$6,315,379	$23,794,000
Each area percentage	56.43%	0.00%	2.78%	14.25%	26.54%	100.00%

	The amount of credit risk exposure - by area					
	2013.12.31					
Financial assets	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%

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Financial assets	The amount of credit risk exposure - by area					
	2013.1.1					
	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%

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				
	2014.12.31				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	$8,012,927	$-	$-	$-	$8,012,927
Financial assets at fair value through profit or loss	1,514,144	-	-	-	1,514,144
Available-for-sale financial assets	8,256,604	-	-	-	8,256,604
Derivative financial assets for hedging	3,747	-	-	-	3,747
Bond investments with no active market exists	3,359,314	-	-	-	3,359,314
Held-to-maturity investments	2,647,264	-	-	-	2,647,264
Total	$23,794,000	$-	$-	$-	$23,794,000

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Financial assets	Credit quality of financial assets 2013.12.31 — Normal assets: Investment level	Normal assets: Non-investment level	Past due but not impaired	Impaired	Total
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 2013.1.1 — Normal assets: Investment level	Normal assets: Non-investment level	Past due but not impaired	Impaired	Total
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

Note: Investment level means the credit rating above BBB- and non-investment level means the credit rating less than BBB-.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(B) Secured loans

	2014.12.31							
	Neither past due nor impaired			Past due but		Total	Loss	
Secured loans	Excellent	Great	Normal	not impaired	Impaired	(EIR principal)	reserve	Net
Consumer Finance	$154,569	$-	$-	$-	$120,917	$275,486	$1,677	$273,809
Corporate Finance	60,000	-	-	-	129,003	189,003	65,499	123,504
Total	$214,569	$-	$-	$-	$249,920	$464,489	$67,176	$397,313

	2013.12.31							
	Neither past due nor impaired			Past due but		Total	Loss	
Secured loans	Excellent	Great	Normal	not impaired	Impaired	(EIR principal)	reserve	Net
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

	2013.1.1							
	Neither past due nor impaired			Past due but		Total	Loss	
Secured loans	Excellent	Great	Normal	not impaired	Impaired	(EIR principal)	reserve	Net
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

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 holing 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.

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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

c. The table below summarizes the maturity profile of Cathay Century and its subsidiaries' financial liabilities based on contractual undiscounted payments.

	2014.12.31						
Liabilities	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	$2,892,354	$1,392,632	$1,359,251	$27,249	$4,745	$1,387	$-
Financial liabilities at fair value through profit or loss	176,626	176,626	112,818	58,687	5,121	-	-
Preferred stock liability	1,000,000	1,000,000	-	-	-	1,000,000	-

	2013.12.31						
Liabilities	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	25,978	2,374	-	-	-
Preferred stock liability	1,000,000	1,000,000	-	-	-	1,000,000	-

	2013.1.1						
Liabilities	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

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 effetely measure, monitor and manage market risk.

a. Value-at-risk

Value-at-risk is used to measure the maximum potential loss of a portfolio in a certain future time horizon and confidence level when the market risk factors changes. Cathay Century and its subsidiaries estimate value at risk on the next day (week or two weeks) with a 99% level of confidence.

Value-at-risk model must reasonably completely and accurately measure the maximum potential risk that can be Cathay Century and its subsidiaries' risk management model. The use of risk management model must continue to conduct back testing daily to ensure the model can effectively measure financial instrument and what the maximum potential risk of a portfolio is.

b. Stress testing

In addition to the value-at-risk model, Cathay Century and its subsidiaries periodically uses stress testing to assess the potential risk of extreme incidents. Stress testing is used to evaluate the potential impact on portfolio values when a series of financial variables undergo extreme changes.

Cathay Century and its subsidiaries conduct stress testing regularly on positions by simple sensitivity analysis and scenario analysis. The stress testing contains changes of various risk factors in all historical scenarios that may cause losses in an investment portfolio.

(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.

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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

2014.12.31	Stress testing	
Risk factors	Variation (+/−)	Changes in profit and loss
Equity price risk (Index)	-10%	$(439,327)
Interest rate risk (Yield curve)	20bp	(92,715)
Foreign currency risk (Exchange rate)	USD exchange NTD devalue 1 dollar	(95,398)
Commodity risk (Price)	-10%	-

2014.12.31		Profit and loss	Equity
Foreign currency risk sensitivity	EUR appreciate 1 %	$1	$378
	CNY appreciate 1 %	10,941	488
	HKD appreciate 1 %	85	196
	NTD appreciate 1 %	(26,920)	(3,344)
Interest rate risk sensitivity	Yield curve (USD) flat rises 1bp	(2,231)	(133)
	Yield curve (CNY) flat rises 1bp	(558)	(78)
	Yield curve (NTD) flat rises 1bp	(350)	(1,286)
Equity securities price sensitivity	Increase 1%in equity price	-	43,933

2013.12.31	Stress testing	
Risk factors	Variation (+/−)	Changes in profit and loss
Equity price risk (Index)	-10%	$(248,108)
Interest rate risk (Yield curve)	20bp	(70,268)
Foreign currency risk (Exchange rate)	USD exchange NTD devalue 1 dollar	(87,102)
Commodity risk (Price)	-10%	-

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.12.31		Profit and loss	Equity
Foreign currency risk sensitivity	CNY appreciate 1 %	$9,805	$1,389
	HKD appreciate 1 %	-	132
	NTD appreciate 1 %	(12,363)	(1,116)
Interest rate risk sensitivity	Yield curve (USD) flat rises 1bp	(1,564)	(136)
	Yield curve (CNY) flat rises 1bp	(41)	(82)
	Yield curve (NTD) flat rises 1bp	(185)	(1,505)
Equity securities price sensitivity	Increase 1%in equity price	-	24,811

c. Cathay Securities and its subsidiaries

(A) Risk management policies

i. Rick 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.

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

- Board of directors

  The board of directors has the ultimate responsibilities for risk management. The board has the primary responsibility for the determination of the risk management strategies and for ensuring that approved risk management policies are in accordance with the nature of operating activities, types of operating business and they cover different types of risk. Also, the board is required to monitor the implementation of risk management policies is effective.

, Risk Management Committee

  The Risk Management Committee is responsible for reviewing risk management policies, principles, and directions of trading management, and for determining the appropriate degree of risk exposures and monitoring the implementation of the risk management policies. Risk Management Committee is established by the board of directors and the members include General Manager, 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.

ƒ 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.

„ Business unit

Each business unit participates in the planning of risk management mechanism and executing daily risk management and report to ensure that the risk model services division implements is with the same base of the consistency of credibility and is in accordance with the internal control procedures to conform to the regulations and risk management policies.

… Auditing office

Auditing office participates in the planning of risk management mechanism and executes risk management and internal control procedures periodically. All staff members should be also responsible for monitoring and documenting problems of internal control procedures periodically to ensure that the appropriate actions to improve have been taken in time.

† Finance Department

Finance department participates in the planning of risk management mechanism. The department is responsible of executing liquidity risk management and providing the liquidity risk report to risk management department periodically.

‡ Accounting Department

The accounting department participates in the planning of risk management mechanism and providing the form of capital adequacy to risk management department monthly.

ˆ 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:

- 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.

, 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.

(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).

f Operational Risk

(a) Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes the legal risk, but excludes strategy risk and credit risk.

(b)Controls

Cathay Securities and its subsidiaries establish authority levels and the segregation of duties for the processes of front, middle and back offices. Trading, confirmation, settlement, financial accounting, and trading document are archive for future reference. The strict processes are also established to prevent fraud and negligence. Cathay Securities and its subsidiaries request each department to establish and implement internal audit and control policies authentically. The reporting mechanism for loss events from operational risk and database are established to understand causes of the loss. Besides, auditing office is established and 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.

„ 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.

… 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.

† Capital adequacy management

(a) Definition

Cathay Securities and its subsidiaries implement capital management to sustain appropriate capital adequacy ratio, accelerate the business growth and ensure the perfection of capital structure.

(b)Controls

Cathay Securities establishes capital adequacy index and compiles the report periodically to evaluate the appropriateness of capital adequacy ratio and the perfection of the capital structure.

‡ Reputation risk and strategy risk

(a)Definition

Reputation Risk is a risk of loss resulting from damages to Cathay Securities and its subsidiaries' reputation in lost customers or revenues and Cathay Securities and its subsidiaries might need to undertake a prodigious amount of legal fares or other losses from damages. Strategy risk is another risk of current or potential loss to revenue or capital resulting from a strategy that turns out to be defective or inappropriate, or lack of proper responses to the competitors.

(b)Controls

Cathay Securities and its subsidiaries establish internal responses and reactions to the reputation risk and strategy risk for mitigation of damages.

Risk management policies and principles are established based on above mentioned risks and management mechanisms from each risk source are set out specifically. Cathay Securities and its subsidiaries also establish the constraint for each risk and review the appropriateness of each constraint periodically. Besides, the risk management implementation reports are reported to the risk management committee, board of directors, and risk management office of Cathay financial holdings to elaborate on Cathay Securities and its subsidiaries' risk tolerance and the appropriateness of current risk management scheme.

v. Hedge and Mitigation of Risk Strategy

The hedge and mitigation of risk strategy for Cathay Securities and its subsidiaries are implemented the dynamic hedge through investment products to duplicate the same cash flows when derivatives are matured. The hedge for outstanding stock warrants and structured products are used Delta Neutral as a principle. If the prices of those investment positions fluctuate wildly in the financial market, the violation of hedge operating due to the impact from the significant events, or the violation of the hedge operating rules from the operators, the business department is required to explain by written and report to the risk management department.

Cathay Securities and its subsidiaries establish the approval limit and stop-loss mechanism by each attributes of the product. When the position meets the prevention point, the risk management department will inform the supervisor or position administrator in time and monitor the change of the position. Besides, the business department should operate in accordance with approval limits. If the stop-loss point is met, the investment position should be sold or the business department is required to 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 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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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.

2014.12.31

Cash Flows Analysis of Financial Liabilities

	Payment Terms				
Financial Liabilities	Less than 1 month	1 to 3 months	3 to 6 months	More than 6 months	Total
Short-term loans	$900,000	$-	$-	$-	$900,000
Bonds payables	6,440,000	-	-	-	6,440,000
Financial liabilities at fair value through profit or loss -current	1,378,124	-	-	-	1,378,124
Liabilities for bonds with repurchase agreements	2,100,000	-	-	-	2,100,000
Deposits for securities borrowed	36,105	72,210	108,315	433,252	649,882
Futures trader's equity	1,749,025	-	-	-	1,749,025
Account payables	1,247,609	-	-	2,932,740	4,180,349
Others	-	-	-	14,908	14,908
Total	$13,850,863	$72,210	$108,315	$3,380,900	$17,412,288
% to the total	79.55%	0.41%	0.62%	19.42%	100%

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Short-term loans, bonds payables and repurchase bonds are fund procurement instruments and matured within three months.

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Cash Flow Gap

	Received Terms				
Financial Assets	Less than 1 month	1 to 3 months	3 to 6 months	More than 6 months	Total
Cash and cash equivalents	$1,837,812	$-	$-	$-	$1,837,812
Financial assets at fair value through profit or loss -current					
Lending Securities	560	-	-	-	560
Operations Security	6,659,083	-	-	-	6,659,083
Open-end Funds	1,358,020	-	-	-	1,358,020
Call option-futures	-	-	-	9,308	9,308
Futures trading margin	-	-	-	200,838	200,838
Available for sale financial assets	110,229	-	-	245,598	355,827
Client margin accounts	1,749,368	-	-	-	1,749,368
Other current assets-time deposit	-	-	-	2,000,000	2,000,000
Account Receivables	5,113,224	2,482	3,723	14,660	5,134,089
Securities financing receivables	163,067	326,134	489,201	1,956,810	2,935,212
Others	-	-	-	790,280	790,280
Subtotal	16,991,363	328,616	492,924	5,217,494	23,030,397
Residual cash	$3,140,500	$256,406	$384,609	$1,836,594	$5,618,109

ii Capital liquidity risk stress testing

Cathay Securities and its subsidiaries perform stress testing periodically to measure and evaluate the changes of capital liquidity the occurrence of extreme and abnormal events for ensuring that Cathay Securities and its subsidiaries sustain the proper capital liquidity. Stress scenario including the significant fluctuation in the financial market, the occurrence of all kinds of credit event, and the assumption of unexpected tighten capital liquidity in financial market are used to measure the capability of acquiring sufficient capital to meet the demand on cash and the changes of cash flow gap.

If the cash flow gap arises under the specific stress scenario, the following procedures are used to prevent the occurrence of the stress events:

• Raising money and balance sheet adjustment are made in accordance with the Group “Crisis Management Principles” and “Regulations of Emergency Management”

‚ Money Raising: (i) short-term loan credit line (ii) collateralized time deposits (iii) issuance of commercial paper

ƒ 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:

• Price value of basis point (PVBP): denoting the change in the value of a position given a basis point change in the yield curve.
‚ Delta: measuring the change in the value of a position given 1% price change of a certain underlying asset.
ƒ Gamma: measuring the dollar amount of change in Delta of a position given 1% price change of a certain underlying asset.
„ Vega: denoting the change in the value of a position given 1%price change of a certain underlying asset.

ii Value at Risk

Value at Risk ("VaR") is the risk of the most probable loss on the portfolio in position arising from the movements in market risk 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.

VaR at one single trading day within 99% confidence level

2014.1.1~2014.12.31	NT$ (in thousands)
Period Ended	14,007
Average	18,099
Lowest	7,135
Highest	30,872

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.

- 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 immediate, significant, and comprehensive impact on financial market from bankruptcy of Lehman Brothers in 2008 and Great East Japan earthquake in 2011.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

, 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.

2014.12.31
Table of Stress Test

Risk Simples	Price Risk	Changes (+/-)	Changes in profit and loss
Equity Risk	Stock index	-10%	-113,185
Interest Risk	Yield Curve	+100bps	88,353
Exchange Risk	Exchange Rate	+3%	4,375
Produce Risk	Price	-10%	0

(3) Exchange rates used to translate material financial assets and liabilities denominated in foreign currencies are disclosed as follows:

	2014.12.31			2013.12.31		
	Foreign Currency	Exchange Rate	NT$	Foreign Currency	Exchange Rate	NT$
Financial Assets						
Monetary Items						
USD	$51,149,609	31.7180	$1,622,363,298	$46,017,762	29.9500	$1,378,231,972
CNY	67,501,391	5.1035	344,493,349	38,940,825	4.9436	192,507,862
Non-Monetary Items						
USD	7,870,375	31.7180	249,632,554	4,346,951	29.9500	130,191,182
Financial Liabilities						
Monetary Items						
USD	7,937,171	31.7180	251,751,190	7,367,326	29.9500	220,651,414

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.1.1		
	Foreign Currency	Exchange Rate	NT$
Financial Assets			
Monetary Items			
USD	$45,105,812	29.1360	$1,314,202,938
CNY	19,422,188	4.6797	90,890,013
Non-Monetary Items			
USD	3,188,552	29.1360	92,901,651
Financial Liabilities			
Monetary Items			
USD	6,087,435	29.1360	177,363,506

(4) Discretionary account management for Cathay Life

	2014.12.31		2013.12.31		2013.1.1	
Item	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Listed stocks	$125,190,176	$125,190,176	$129,828,751	$129,828,751	$100,690,134	$100,690,134
Overseas stocks	44,606,537	44,606,537	55,726,731	55,726,731	28,173,078	28,173,078
Repurchase bonds	14,093,000	14,093,000	2,088,200	2,088,200	6,336,804	6,336,804
Cash in banks	23,123,022	23,123,022	22,994,358	22,994,358	38,106,426	38,106,426
Beneficiary certificates	5,615,021	5,615,021	18,109,871	18,109,871	29,184,078	29,184,078
Futures and options	746,019	746,019	911,776	911,776	1,482,600	1,482,600
Corporate bonds	-	-	837,194	837,194	690,768	690,768
Total	$213,373,775	$213,373,775	$230,496,881	$230,496,881	$204,663,888	$204,663,888

As of 31 December 2014, Cathay Life entered into discretionary account management contracts in the amounts of $130,000,000 thousand, US$1,175,000 thousand, and HK$1,550,000 thousand. As of 31 December 2013, Cathay Life entered into discretionary account management contracts in the amounts of $143,000,000 thousand, US$1,990,000 thousand, and HK$2,000,000 thousand. As of 1 January 2013, the amounts are $140,000,000 thousand, US$2,090,000 thousand and HK$2,000,000 thousand.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(5) Capital management:

Currently, the Company and its subsidiaries' capital adequacy ratios meet the statutory requirements. Under the pretext that the Company and its subsidiaries meet the statutory capital adequacy requirement, dynamic capital management mechanism is employed to increase the capital efficiency of the subsidiaries. After the redistribution of capital, the subsidiaries' ability to take risks will not be affected. Under such scenario, the Company will conduct overall planning based on the distribution of the subsidiaries' capital in order to strengthen the efficiency of capital operation within the Group.

A. Capital adequacy ratio on a consolidated basis:

Capital adequacy ratios

2014.12.31

Item	Ownership interest	Eligible capital	Statutory capital
The Company	100.00%	$435,432,489	$492,230,046
Cathay United Bank	100.00%	208,576,229	103,036,911
Cathay Securities	100.00%	4,645,352	1,853,813
Cathay Life	100.00%	288,840,039	200,982,702
Cathay Century	100.00%	7,035,251	4,341,458
Cathay Venture	100.00%	3,034,814	1,519,204
Cathay Securities Investment Trust	100.00%	2,169,292	1,280,821
Less: Item		(490,345,965)	(486,721,914)
Subtotal		(A) $459,387,501	(B) $318,523,041
Consolidated capital adequacy ratios		(C) =(A)/(B)	144.22%

2013.12.31

Item	Ownership interest	Eligible capital	Statutory capital
The Company	100.00%	$291,814,582	$325,323,533
Cathay United Bank	100.00%	151,382,501	89,976,605
Cathay Securities	100.00%	3,396,276	1,458,123
Cathay Life	100.00%	237,472,375	212,326,252
Cathay Century	100.00%	6,368,944	4,078,266
Cathay Venture	100.00%	2,836,715	1,421,414
Cathay Securities Investment Trust	100.00%	2,031,623	1,193,667
Less: Item		(321,252,584)	(320,858,824)
Subtotal		(A) $374,050,432	(B) $314,919,036
Consolidated capital adequacy ratios		(C) =(A)/(B)	118.78%

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

B. Eligible capital

2014.12.31

Item	(NT$)
Common Stock	$125,632,102
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates-qualified as bank-level Tier I Capital	-
Preferred Stocks and subordinated financial debenture	4,000,000
Capital collected in advance	-
Capital surplus	88,782,304
Legal reserve	19,784,401
Special reserve	82,305,614
Accumulated profit	61,107,449
Equity adjustments	55,069,268
Less: Goodwill	-
Less: Deferred assets	(1,248,649)
Less: Treasury stock	-
Consolidated eligible capital	$435,432,489

2013.12.31

Item	(NT$)
Common Stock	$119,649,621
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates-qualified as bank-level Tier I Capital	-
Preferred Stocks and subordinated financial debenture	12,000,000
Capital collected in advance	-
Capital surplus	89,063,184
Legal reserve	16,922,773
Special reserve	7,072,630
Accumulated profit	28,287,695
Equity adjustments	20,083,810
Less: Goodwill	-
Less: Deferred assets	(1,265,131)
Less: Treasury stock	-
Consolidated eligible capital	$291,814,582

(6) Business or trading activities within Subsidiaries:

A. Business or trading behaviors

Please refer Note 35 (business with stakeholders) for further details.

B. Integrate business activities:

By integrating the insurance, securities, banking and other various financial institutions, the Company has become a full-functioning financial platform. Through the branches and professional sales representatives across Taiwan, the Company is able to develop its cross-selling marketing strategy and provide a one-stop shopping service for its customers.

C. Cross utilization of information:

In compliance with “Financial Holding Companies Act”, “Personal Data Protection Act”, “Financial Holding Subsidiaries Cross-selling Activities Acts”, “Self-disciplinary Rules Governing the Activities of the FHC” and other related regulations from Financial Supervisory Commission, Executive Yuan, the Company has stipulated “Cathay Financial Holding Subsidiaries Cross-selling Activities Acts” and ”Non-disclosure Confidential Agreement of Cathay Financial Holding Subsidiaries Cross-utilization of Customer’s Personal Data” to cross-utilize customer’s personal data under a safe and secure environment and provide comprehensive and integrated financial service to the customers.

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). Since 5 December 2014, Cathay life is allowed to engage in cross-selling activities of Cathay Securities and Cathay Futures among the 32 branches. 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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(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:

Effects on the balance sheet items

	2013.12.31	2013.1.1
Increase in investment property-net	$100,131,070	$78,757,928
Increase in property and equipment -net	247,507	-
Increase in assets held for sale -net	13,471	-
Increase in deferred tax assets	23,525	19,610
Increase in deferred tax liabilities	6,165,422	3,535,386
Increase in retained earnings	84,242,411	75,242,150
Increase in other equity	10,007,738	-
Increase in non-controlling interests	2	2

Effects on the statements of comprehensive income items

	2014.1.1~ 2014.12.31	2013.1.1~ 2013.12.31
Increase in operating revenue	$16,731,241	$9,252,429
Decrease in operating expenses	-	1,575,875
Depreciation expense recorded for renting investment property, which is considered owner-occupied property, to related parties	(468,593)	-
Increase (decrease) in income tax expense	(2,489,362)	(1,828,043)
Increase (decrease) in net income	13,773,286	9,000,261
Increase in other comprehensive income	835,299	10,007,738
Increase in earnings per share	1.10	0.74

(9) Information regarding investment in Mainland China:

A. On 25 December 2002 and 24 July 2003, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Life to remit US$22,850 thousand and US$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US$50,000 to US$48,330 thousand approved by MOEAIC on 20 December 2010. Also, MOEAIC authorized Cathay Life to remit US$59,000 thousand as the registered capital again on 16 May 2008. MOEAIC authorized Cathay Life to remit US$3,400 thousand as the registered capital again on 2 April 2012. MOEAIC also authorized the revision of the amount of US$32,520 thousand of unexecuted project to CNY¥200,000 thousand to avoid currency risk on 14 September 2013. The total registered capital was US$110,730 thousand. On 25 September 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life's subsidiary, Cathay Life Insurance Ltd. (China) has acquired a business license of an enterprise as legal person on 29 December 2004 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 thousand to the subsidiary as of 31 December 2009. Cathay Life injected additional US$29,880 thousand on 29 September 2010 and CNY¥200,000 thousand on 8 May 2014. As of 31 December 2014, Cathay Life's remittances to the subsidiary totaled approximately CNY¥200,000 thousand and US$78,210 thousand.

B. On 17 October 2007, MOEAIC authorized Cathay Life to remit US$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on 8 October 2007. On 6 March 2008, MOEAIC authorized Cathay Life to increase the remittances from US$26,390 thousand to US$28,960 thousand. On 15 August 2008, MOEAIC further authorized Cathay Life to revise the remittance from US$28,960 thousand to US$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century Insurance in Shanghai has acquired a business license of an enterprise as legal person on 26 August 2008. On 28 May 2013, MOEAIC authorized Cathay Life to remit CNY¥200,000 thousand to increase the share capital. As of 31 December 2014, Cathay Life's remittances to this general insurance company totaled approximately CNY¥200,000 thousand and US$28,140 thousand.

C. On 1 November 2011 and 11 April 2012, MOEAIC authorized Cathay Life to remit CNY¥300,000 (US$47,000) thousand and CNY¥500,000 (US$80,000) thousand, respectively, as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. Cathay Life's subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. has acquired a business license of an enterprise as legal person on 15 August 2012. On 1 April 2013, MOEAIC authorized Cathay Life to remit CNY¥700,000 (US$111,000) thousand to increase the share capital. As of 31 December 2014, Cathay Life's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately CNY¥1,500,000 thousand.

D. On 31 December 2006, MOEAIC authorized Cathay Century to remit US$28,960 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of joint venture with Cathay Life.) Cathay Century has received approved from the China Insurance Regulatory Commission on 8 October 2007 to form a joint venture general insurance company. Cathay Century and Cathay Life's subsidiary, Cathay Insurance Company Ltd. (China) has acquired a business license of an enterprise legal person on 26 August 2008. MOEAIC authorized Cathay Century to remit CNY¥200,000 thousand as the equity capital on 28 May 2013. As of 31 December 2014, Cathay Century's remittances to this company totaled approximately US$60,560 thousand.

E. MOEAIC approved Cathay United Bank to remit to China CNY¥400,000 (US$60,067) thousand. 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) thousand. The remaining amount of US$299 thousand was repatriated by Shanghai Branch, Cathay United Bank on 5 November 2010. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC in 18 January 2011 and were approved on 24 January 2011. In addition, MOEAIC further approved Cathay United Bank to remit CNY¥600,000 (US$95,024) thousand 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) thousand. The remaining amount of US$95 thousand was repatriated by Cathay United Bank's Shanghai Branch on 1 February 2012. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC on 20 March 2012 and were approved on 26 March 2012. MOEAIC approved Cathay United Bank's Shanghai Branch to increase the working capital of CNY¥1,000,000 (US$164,000) thousand on 27 February 2014. According to MOEAIC, further approved working capital of Cathay United Bank's Qingdao Branch was CNY¥600,000 (US$94,310) thousand on 21 January 2014.

F. On 9 January 2012, MOEAIC authorized Cathay Securities Investments Trust to remit CNY¥66,600 thousand as the registered capital to establish a China-based company named CDBS Cathay Asset Management (in the form of a joint venture with China Development Bank Securities). Cathay Securities Investment Trust held 33.3% number of shares. CDBS Cathay Asset Management's capital is CNY¥200,000 thousand, and has acquired a business license of an enterprise legal person on 16 August 2013. As of 31 December 2014, Cathay Securities Investment Trust remittances to CDBS Cathay Asset Management totaled approximately CNY¥66,600 thousand.

G. On 5 March 2014, MOEAIC authorized Cathay Securities to invest in Cathay Investment Consulting (Shanghai) Co. Ltd., which 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. The registered paid-in capital amounted to CNY¥8,000 (NT$38,970) thousand.

(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, bonding insurance, reinsurance and other insurance.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

D. Securities operating segments: Securities operating segments are responsible for securities brokerage, discretionary and underwriting and dedicates to the innovation and development of financial products and services by providing a variety of new financial products.

E. Other operating segments: Such segments include assets, liabilities, revenue and expenditure which are not able to be allocated to certain operating segments.

To formulate strategies of the allocation of resources and assessment of performance, the management monitors results of operating segments. The accounting policies are the same as the summary of significant accounting policies in Note 4.

A. Income information of reporting segment

2014.1.1~2014.12.31

Items	Bank division	Life insurance division	Property and casualty insurance division	Securities division	Other division	Total
Interest income	$25,849,526	$99,744,652	$553,592	$105,023	$(1,169,977)	$125,082,816
Net income other than interest	14,710,520	257,410,699	6,794,579	1,632,936	1,743,953	282,292,687
Total income	40,560,046	357,155,351	7,348,171	1,737,959	573,976	407,375,503
Bad debt expenses and Provision for premiums reserve	(2,470,709)	(485,027)	(26,676)	-	-	(2,982,412)
The net change of insurance liabilities	-	(290,109,473)	(690,511)	-	-	(290,799,984)
Operating expenses	(22,094,000)	(28,298,294)	(4,198,767)	(1,267,759)	(1,491,567)	(57,350,387)
Income (loss) from continuing operations before income taxes	15,995,337	38,262,557	2,432,217	470,200	(917,591)	56,242,720
Income taxes (expense) benefit	(2,857,189)	(2,500,358)	(173,507)	(38,379)	(888,650)	(6,458,083)
Consolidated net income	13,138,148	35,762,199	2,258,710	431,821	(1,806,241)	49,784,637

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.1.1~2013.12.31

Items	Bank division	Life insurance division	Property and casualty insurance division	Securities division	Other division	Total
Interest income	$22,410,398	$92,900,232	$318,405	$65,208	$(1,136,697)	$114,557,546
Net income other than interest	11,765,399	257,754,531	6,296,709	1,236,208	519,319	277,572,166
Total income	34,175,797	350,654,763	6,615,114	1,301,416	(617,378)	392,129,712
Bad debt expenses and Provision for premiums reserve	(541,510)	(931,692)	(10,866)	-	-	(1,484,068)
The net change of insurance liabilities	-	(292,977,648)	(591,929)	-	-	(293,569,577)
Operating expenses	(18,856,648)	(27,881,268)	(3,791,275)	(1,040,206)	(2,707,314)	(54,276,711)
Income (loss) from continuing operations before income taxes	14,777,639	28,864,155	2,221,044	261,210	(3,324,692)	42,799,356
Income taxes (expense) benefit	(2,177,361)	(2,603,125)	(217,953)	(8,240)	227,695	(4,778,984)
Consolidated net income	12,600,278	26,261,030	2,003,091	252,970	(3,096,997)	38,020,372

B. Segment information

Revenue from external customers

	2014.1.1-2014.12.31	2013.1.1-2013.12.31
Taiwan	$115,098,791	$109,915,034
Other countries	9,984,025	4,642,512
Total	$125,082,816	$114,557,546

Revenue is classified by the residency of customers.

Note:

(1) Revenues from each external customer are all less than 10% of total revenue of the Group.

(2) Income of operating segments is measured before taxes. Income of operating segments is the basis of resources distribution and performance evaluation.

44.Cathay Financial Holding Co., Ltd.'s financial statements

English Translation of Financial Statements Originally Issued in Chinese
Cathay Financial Holding Co., Ltd.
Balance sheet
As of 31 December 2014 and 2013 and as of 1 January 2013
(Expressed in thousands of New Taiwan Dollars)

	2014.12.31	2013.12.31	2013.1.1
Assets			
Cash and cash equivalents	$3,420,967	$3,464,767	$6,482,973
Available-for-sale financial assets -net	706,037	556,865	529,796
Securities purchased under agreements to resell	500,871	465,060	658,625
Receivables -net	4,626,627	3,731,473	2,858,180
Current income tax assets	7,373,549	5,584,675	3,596,184
Held-to-maturity financial assets -net	31,000,000	31,000,000	31,000,000
Investments accounted for using the equity method -net	455,721,914	384,108,973	328,085,643
Property and equipment -net	6,728	6,245	4,739
Intangible assets -net	22,607	-	-
Deferred tax assets -net	1,248,649	1,265,131	967,668
Other assets -net	146,133	170,126	161,978
Total assets	$504,774,082	$430,353,315	$374,345,786
Liabilities & Equity			
Liabilities			
Financial liabilities at fair value through profit or loss	$-	$-	$549,745
Commercial paper payable -net	20,350,000	5,960,000	-
Payables	10,849,206	8,340,650	5,940,873
Current income tax liabilities	176,336	37,003	-
Bonds payable	40,000,000	40,000,000	47,312,376
Provisions	707,839	671,562	864,469
Deferred tax liabilities	22	1	35,202
Other liabilities	9,541	14,237	3,422
Total liabilities	72,092,944	55,023,453	54,706,087
Equity			
Capital stock			
Common stock	125,632,102	119,649,621	108,653,851
Capital surplus	88,782,304	89,063,184	78,508,148
Retained earnings			
Legal reserve	19,784,401	16,922,773	15,222,599
Special reserve	82,305,614	82,314,780	82,314,780
Undistributed earnings	61,107,449	37,287,956	16,296,275
Other equity	55,069,268	30,091,548	25,823,918
Treasury stock	-	-	(7,179,872)
Total equity	432,681,138	375,329,862	319,639,699
Total liabilities and equity	$504,774,082	$430,353,315	$374,345,786

<u>English Translation of Financial Statements Originally Issued in Chinese</u>

Cathay Financial Holding Co., Ltd.

Statements of Comprehensive Income

For the years ended 31 December 2014 and 2013

(Expressed in thousands of New Taiwan Dollars , except earning per share)

	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Income		
Gains on investment-equity method	$51,177,269	$40,273,078
Other operating income	986,929	1,081,922
	52,164,198	41,355,000
Expenses and loss		
Operating expenses	(602,769)	(777,226)
Other expenses and losses	(1,360,304)	(3,064,775)
	(1,963,073)	(3,842,001)
Profit before income tax from continuing operations	50,201,125	37,512,999
Income tax (expense) benefit	(678,678)	303,037
Profit after income tax from continuing operations	49,522,447	37,816,036
Net Income	$49,522,447	$37,816,036
Other comprehensive income		
Unrealized gains from available-for-sale financial assets	$149,172	$48,505
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	25,662,587	4,228,291
Income tax relating to the components of other comprehensive income	(21,822)	(9,166)
Other comprehensive income, net of tax	25,789,937	4,267,630
Total comprehensive income	$75,312,384	$42,083,666
Earnings per share (expressed in dollars)		
Basic earnings per share:		
Net income	$3.94	$3.12

<u>English Translation of Financial Statements Originally Issued in Chinese</u>

Cathay Financial Holding Co., Ltd.

Statements of Changes in Equity

For the years ended 31 December 2014 and 2013

(Expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Capital stock		Retained earnings			Other equity						
Items	Common stock	Capital Surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of a foreign	Unrealized gains from available-for-sale financial assets	Gains on cash flow hedges	Revaluation surplus	Others	Treasury stock	Total
Balance on 1 January 2013 (adjusted)	$108,653,851	$78,508,148	$15,222,599	$82,314,780	$16,296,275	$(1,082,097)	$25,930,563	$976,682	$-	$(1,230)	$(7,179,872)	$319,639,699
Appropriations and distribution for 2012 (Note1)												
Legal reserve			1,700,174		(1,700,174)							-
Cash dividends					(7,465,770)							(7,465,770)
Stock dividend	7,465,770				(7,465,770)							-
Net income for the year ended 31 December 2013 (adjusted)					37,816,036							37,816,036
Other comprehensive income for the year ended 31 December 2013						554,063	(5,700,072)	(594,376)	10,007,738	277		4,267,630
Comprehensive income for the year ended 31 December 2013 (adjusted)	-	-	-	-	37,816,036	554,063	(5,700,072)	(594,376)	10,007,738	277	-	42,083,666
Increase in cash capital	3,530,000	9,178,000										12,708,000
Value difference between price of subsidiary stock paid and		29,142			(192,641)							(163,499)
Share-based payment transaction		203,408										203,408
Other		1,144,486									7,179,872	8,324,358
Balance on 31 December 2013 (adjusted)	$119,649,621	$89,063,184	$16,922,773	$82,314,780	$37,287,956	$(528,034)	$20,230,491	$382,306	$10,007,738	$(953)	$-	$375,329,862
Balance on 1 January 2014 (adjusted)	$119,649,621	$89,063,184	$16,922,773	$82,314,780	$37,287,956	$(528,034)	$20,230,491	$382,306	$10,007,738	$(953)	$-	$375,329,862
Appropriations and distribution for 2013 (Note2)												
Legal reserve			2,861,628		(2,861,628)							-
Cash dividends					(17,947,443)							(17,947,443)
Stock dividend	5,982,481				(5,982,481)							-
Reversal of special reserve				(9,166)	9,166							-
Other additional paid-in capital												
Share of changes in net assets of associates and joint ventures accounted for using the equity method		(13,665)										(13,665)
The capital reserve set aside for the first-time adoption of TIFRS		(267,215)			267,215							-
Net income for the year ended 31 December 2014					49,522,447							49,522,447
Other comprehensive income for the year ended 31 December 2014						1,129,820	24,027,155	(201,853)	835,299	(484)		25,789,937
Comprehensive income for the year ended 31 December 2014	-	-	-	-	49,522,447	1,129,820	24,027,155	(201,853)	835,299	(484)	-	75,312,384
Other					812,217				(812,217)			-
Balance on 31 December 2014	$125,632,102	$88,782,304	$19,784,401	$82,305,614	$61,107,449	$601,786	$44,257,646	$180,453	$10,030,820	$(1,437)	$-	$432,681,138

Note1：As of 31 December 2012, directors’ remuneration $5,400 thousand and employees' bonuses $1,494 thousand have been deducted from current year’s Statements of Comprehensive Income.

Note2：As of 31 December 2013, directors’ remuneration $3,300 thousand and employees' bonuses $2,394 thousand have been deducted from current year’s Statements of Comprehensive Income.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Statements of cash flows

For the years ended 31 December 2014 and 2013

(Expressed in thousands of New Taiwan Dollars)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Cash flows from operating activities		
Profit before income tax from continuing operations	$50,201,125	$37,512,999
Adjustments :		
Income and other adjustments with no cash flow effects		
Depreciation	1,446	1,322
Amortization	3,989	-
Net losses on financial assets and liabilities at fair value through profit or loss	-	1,685,578
Interest expense	1,240,359	1,226,551
Interest income	(979,168)	(1,001,814)
Share of loss of associates and joint ventures accounted for using the equity method	(51,177,269)	(40,273,078)
Loss on disposal of property and equipment	328	133
Effects of exchange rate changes	(99)	36,003
Losses on redeeming corporate bonds payable	-	203,372
Others	-	203,408
Changes in operating assets and liabilities		
Decrease in available-for-sale financial assets	-	21,436
Decrease in accounts receivable	33,823	31,854
Decrease (Increase) in other assets	23,533	(6,247)
Decrease in financial liabilities at fair value through profit or loss	-	(182,100)
Increase in payables	2,508,556	2,398,255
Increase (decrease) in provisions	36,277	(192,907)
(Decrease) Increase in other liabilities	(4,696)	11,963
Cash generated from operations		
Interest received	50,192	96,667
Interest paid	(1,240,359)	(1,171,061)
Income taxes paid	(2,333,537)	(1,990,282)
Net cash flows used in operating activities	(1,635,500)	(1,387,948)
Cash flows from investing activities		
Acquisition of investments accounted for using the equity method	-	(89,010)
Acquisition of property and equipment	(2,257)	(2,960)
Acquisition of intangible assets	(26,596)	-
Decrease (increase) in other assets	459	(1,901)
Dividends received	5,913,249	405,535
Net cash from investing activities	5,884,855	311,664
Cash flows from financing activities		
Increase in commercial paper payable	14,390,000	5,960,000
Redemption of corporate bonds	-	(1,299,728)
Payment of cash dividends	(17,947,443)	(7,465,770)
Increase in cash capital	-	12,708,000
Acquisition of subsidiary	(700,000)	(12,001,986)
Net cash flows used in financing activities	(4,257,443)	(2,099,484)
Effects of exchange rate changes on cash and cash equivalents	99	(36,003)
Decrease in cash and cash equivalents	(7,989)	(3,211,771)
Cash and cash equivalents at the beginning of periods	3,929,827	7,141,598
Cash and cash equivalents at the end of periods	$3,921,838	$3,929,827
The components of cash and cash equivalents		
Cash and cash equivalents presented in balance sheet	$3,420,967	$3,464,767
Bills sold under agreements to resell satisfied the definition of cash and cash equivalents under IAS No.7	500,871	465,060
Cash and cash equivalents at the end of periods	$3,921,838	$3,929,827

45.The major subsidiaries' condensed balance sheets and statements of income

Cathay Life Insurance Co., Ltd.
Condensed Balance Sheet
As of 31 December 2014 and 2013 and as of 1 January 2013
(Expressed in thousands of New Taiwan Dollars)

Items	2014.12.31	2013.12.31	2013.1.1
Assets			
Cash and cash equivalents	$330,476,291	$280,220,355	$362,775,487
Receivables	53,670,316	47,362,820	57,308,138
Financial asset at fair value through profit or loss	61,350,401	73,022,597	72,429,213
Available-for-sale financial assets	1,297,762,857	1,272,046,334	1,221,734,264
Derivative financial assets for hedging	212,898	453,713	1,142,094
Investments accounted for using the equity method	32,732,273	9,039,485	7,144,025
Investment in debt securities with no active market	1,252,861,836	1,020,141,716	814,453,830
Held-to-maturity financial assets	24,092,675	-	-
Other financial assets	39,200,000	40,900,000	23,500,000
Investment property	389,821,829	363,191,672	312,615,668
Loans	693,036,495	635,816,106	518,169,293
Reinsurance contract assets	234,239	327,397	9,162,513
Property and equipment	25,991,832	35,862,947	44,800,678
Intangible assets	92,132	102,258	147,816
Deferred tax assets	13,287,147	12,221,216	16,106,670
Other assets	14,372,124	17,185,550	15,417,746
Separate account product assets	461,938,772	375,890,055	329,200,798
Total assets	$4,691,134,117	$4,183,784,221	$3,806,108,233
Liabilities			
Payables	$23,251,477	$18,300,775	$37,262,033
Financial liability at fair value through profit or loss	49,783,588	16,148,024	2,079,457
Derivative financial liabilities for hedging	-	5,148	-
Preferred stock liability	30,000,000	30,000,000	30,000,000
Insurance liability	3,693,113,630	3,375,731,754	3,078,719,365
Reserve for insurance contract with feature of financial instruments	50,140,033	52,911,209	56,461,371
Foreign exchange volatility reserve	16,846,406	10,482,181	4,270,856
Liability reserve	3,760,112	3,919,223	3,812,483
Deferred tax liability	28,753,996	21,254,376	20,217,430
Other liability	8,516,824	8,576,689	11,301,227
Separate account product liabilities	461,938,772	375,890,055	329,200,798
Total liabilities	4,366,104,838	3,913,219,434	3,573,325,020
Stockholders' equity			
Capital stock	53,065,274	53,065,274	53,065,274
Capital surplus	13,029,142	13,038,791	13,009,649
Retained earnings	218,719,393	169,837,067	142,238,530
Others	40,215,470	34,623,655	24,469,760
Total stockholders' equity	325,029,279	270,564,787	232,783,213
Total liabilities and stockholders' equity	$4,691,134,117	$4,183,784,221	$3,806,108,233

Cathay Life Insurance Co., Ltd.
Condensed Statement of Comprehensive Income
For the years ended 31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Operating income	$763,525,423	$674,612,450
Operating costs	(715,252,009)	(629,986,028)
Operating expenses	(15,343,740)	(14,529,595)
Operating profit	32,929,674	30,096,827
Non-operating income	1,505,533	1,152,106
Profit from continuing operations before income tax	34,435,207	31,248,933
Income tax expense	(2,656,244)	(3,650,396)
Profit from continuing operations after income tax	31,778,963	27,598,537
Net income	31,778,963	27,598,537
Other comprehensive income	22,695,178	10,153,895
Total comprehensive income	$54,474,141	$37,752,432
Primary earnings per share	$5.99	$5.20

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.
Condensed Balance Sheet
As of 31 December 2014 and 2013 and as of 1 January 2013
(Expressed in thousands of New Taiwan Dollars)

Items	2014.12.31	2013.12.31	2013.1.1
Assets			
Cash and cash equivalents	$6,897,830	$6,998,187	$5,025,506
Receivables	3,375,267	3,540,497	3,160,638
Financial asset at fair value through profit or loss	1,303,979	1,172,111	385,460
Available-for-sale financial assets	7,583,753	6,391,927	7,750,552
Derivative financial assets for hedging	3,747	10,022	17,134
Investments accounted for using the equity method	1,111,548	825,721	679,562
Investment in debt securities with no active market	2,761,546	1,897,332	1,172,459
Held-to-maturity financial assets	2,348,632	1,668,787	2,512,011
Loans	397,313	422,521	522,080
Reinsurance contract assets	4,721,960	4,388,987	5,118,300
Property and equipment	169,014	202,393	101,738
Intangible assets	9,610	10,110	21,323
Deferred tax assets	85,089	77,223	80,750
Other assets	640,448	655,369	780,458
Total assets	$31,409,736	$28,261,187	$27,327,971
Liabilities			
Payables	$2,470,745	$2,333,838	$2,098,220
Financial liability at fair value through profit or loss	176,626	28,352	-
Preferred stock liability	1,000,000	1,000,000	1,000,000
Insurance liability	20,720,649	19,159,600	19,080,300
Liability reserve	235,740	236,272	247,950
Deferred tax liability	58,441	24,404	17,949
Other liability	584,442	317,734	366,509
Total liabilities	25,246,643	23,100,200	22,810,928
Stockholders' equity			
Capital stock	2,721,879	2,721,879	2,522,950
Capital surplus	-	1,929	1,929
Retained earnings	3,364,426	2,532,547	1,956,035
Others	76,788	(95,368)	36,129
Total stockholders' equity	6,163,093	5,160,987	4,517,043
Total liabilities and stockholders' equity	$31,409,736	$28,261,187	$27,327,971

Cathay Century Insurance Co., Ltd.
Condensed Statement of Comprehensive Income
For the years ended 31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Operating income	$14,381,459	$13,043,250
Operating costs	(8,659,085)	(7,786,817)
Operating expenses	(4,701,120)	(4,249,666)
Operating profit	1,021,254	1,006,767
Non-operating expenses	(15,904)	(13,013)
Profit from continuing operations before income tax	1,005,350	993,754
Income tax expense	(173,471)	(218,313)
Profit from continuing operations after income tax	831,879	775,441
Net income	831,879	775,441
Other comprehensive income (loss)	172,156	(131,497)
Total comprehensive income	$1,004,035	$643,944
Primary earnings per share	$3.06	$2.85

English Translation of Financial Statements Originally Issued in Chinese

Cathay Lujiazui Life Insurance Co., Ltd.

Condensed Balance Sheet

As of 31 December 2014 and 2013 and as of 1 January 2013

(Expressed in thousands of New Taiwan Dollars)

Items	2014.12.31	2013.12.31	2013.1.1
Assets			
Cash and cash equivalents	$1,184,590	$1,352,570	$1,792,193
Receivables	314,712	264,320	399,447
Financial asset at fair value through profit or loss	868,464	870,101	370,475
Available-for-sale financial assets	4,776,082	2,442,558	4,652,993
Investment in debt securities with no active market	3,705,711	3,208,260	2,450,786
Held-to-maturity financial assets	1,847,955	1,619,138	-
Loans	45,080	36,277	32,347
Reinsurance contract assets	53,402	356,060	7,683
Property and equipment	108,625	131,182	128,242
Intangible assets	65,424	81,713	94,237
Other assets	1,943,532	1,226,970	1,195,782
Separate account product assets	328,004	362,681	356,448
Total assets	$15,241,581	$11,951,830	$11,480,633
Liabilities			
Short-term debt	$232,615	$-	$297,268
Payables	542,063	916,486	714,954
Reserve for insurance contract with feature of financial instruments	4,954,666	4,685,239	4,889,501
Insurance liability	5,167,627	4,467,636	3,634,056
Other liability	83,540	37,277	19,354
Separate account product liabilities	328,004	362,681	356,448
Total liabilities	11,308,515	10,469,319	9,911,581
Stockholders' equity			
Capital stock	7,067,795	5,134,155	5,134,155
Retained earnings	(3,848,524)	(3,999,590)	(3,916,879)
Others	713,795	347,946	351,776
Total stockholders' equity	3,933,066	1,482,511	1,569,052
Total liabilities and stockholders' equity	$15,241,581	$11,951,830	$11,480,633

Cathay Lujiazui Life Insurance Co., Ltd.

Condensed Statement of Comprehensive Income

For the years ended 31 December 2014 and 2013

(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Operating income	$3,190,054	$2,617,974
Operating costs	(2,037,063)	(1,773,299)
Operating expenses	(988,417)	(929,400)
Operating profit (loss)	164,574	(84,725)
Non-operating (expense) income	(13,507)	2,013
Profit (loss) from continuing operations before income tax	151,067	(82,712)
Income tax expense	-	-
Profit (loss) from continuing operations after income tax	151,067	(82,712)
Net income (loss)	151,067	(82,712)
Other comprehensive income (loss)	365,849	(3,830)
Total comprehensive income (loss)	$516,916	$(86,542)
Primary earnings per share	Note	Note

Note: Cathay Life Insurance Company (China) is a limited company, there is no information about earning per share.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Company (Vietnam)
Condensed Balance Sheet
As of 31 December 2014 and 2013 and as of 1 January 2013
(Expressed in thousands of New Taiwan Dollars)

Items	2014.12.31	2013.12.31	2013.1.1
Assets			
Cash and cash equivalents	$297,319	$289,253	$615,771
Receivables	224,703	202,001	79,948
Available-for-sale financial assets	3,569,578	2,863,231	932,943
Loans	13,589	11,456	9,305
Property and equipment	21,233	6,096	18,322
Intangible assets	63	119	5,742
Other assets	39,711	47,203	43,714
Total assets	$4,166,196	$3,419,359	$1,705,745
Liabilities			
Payables	$43,258	$11,837	$14,581
Insurance liability	456,400	380,516	305,830
Total liabilities	499,658	392,353	320,411
Stockholders' equity			
Capital stock	3,424,930	3,424,930	1,940,080
Retained earnings	199,541	38,869	(81,404)
Others	42,067	(436,793)	(473,342)
Total stockholders' equity	3,666,538	3,027,006	1,385,334
Total liabilities and stockholders' equity	$4,166,196	$3,419,359	$1,705,745

Cathay Life Insurance Company (Vietnam)
Condensed Statement of Comprehensive Income
For the years ended 31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Operating income	$507,469	$399,437
Operating costs	(110,810)	(107,784)
Operating expenses	(174,787)	(170,744)
Operating profit	221,872	120,909
Non-operating (expense) income	(11,925)	8
Profit from continuing operations before income tax	209,947	120,917
Income tax expense	(49,275)	(644)
Profit from continuing operations after income tax	160,672	120,273
Net income	160,672	120,273
Other comprehensive income	478,860	36,549
Total comprehensive income	$639,532	$156,822
Primary earnings per share	Note	Note

Note: Cathay Life Insurance Company (Vietnam) is a limited company, there is no information about earning per share.

Lin Yuan (Shanghai) Real Estate Co., Ltd.
Condensed Balance Sheet
As of 31 December 2014 and 2013 and as of 1 January 2013
(Expressed in thousands of New Taiwan Dollars)

Items	2014.12.31	2013.12.31	2013.1.1
Assets			
Current assets	$288,212	$204,339	$411,418
Investment property	6,882,448	3,011,107	-
Property and equipment	671,993	669,348	3,276,008
Total assets	$7,842,653	$3,884,794	$3,687,426
Liabilities			
Current liability	$22,726	$5,559	$5,377
Deferred tax liability	97,312	27,256	-
Other liability	102,121	13,588	-
Total liabilities	222,159	46,403	5,377
Stockholders' equity			
Capital stock	7,223,435	3,773,774	3,773,774
Retained earnings	(121,537)	(112,323)	(57,489)
Others	518,596	176,940	(34,236)
Total stockholders' equity	7,620,494	3,838,391	3,682,049
Total liabilities and stockholders' equity	$7,842,653	$3,884,794	$3,687,426

Lin Yuan (Shanghai) Real Estate Co., Ltd.
Condensed Statement of Comprehensive Income
For the years ended 31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Operating income	$270,699	$17,141
Operating expenses	(100,866)	(155,861)
Operating income (loss)	169,833	(138,720)
Non-operating (expense) income	(30,482)	2,120
Profit (loss) from continuing operations before income tax	139,351	(136,600)
Income tax expense	(66,798)	-
Profit (loss) from continuing operations after income tax	72,553	(136,600)
Net income (loss)	72,553	(136,600)
Other comprehensive income	259,889	292,942
Total comprehensive income	$332,442	$156,342
Primary earnings per share	Note	Note

Note：Lin Yuan (Shanghai) Real Estate Co., Ltd. is a limited company, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Woolgate Exchange Holding 1 Limited
Condensed Balance Sheet
As of 31 December 2014
(Expressed in thousands of New Taiwan Dollars)

Items	2014.12.31
Assets	
Current assets	$1,205,715
Investment property	15,187,475
Total assets	$16,393,190
Liabilities	
Current liability	$137,087
Total liabilities	137,087
Stockholders' equity	
Capital stock	16,654,013
Retained earnings	131,587
Others	(529,497)
Total stockholders' equity	16,256,103
Total liabilities and stockholders' equity	$16,393,190

Cathay Woolgate Exchange Holding 1 Limited
Condensed Statement of Comprehensive Income
For the years ended 31 December 2014
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	2014.1.1~2014.12.31
Operating income	$307,977
Operating costs	(1)
Operating expenses	(114,883)
Operating income	193,093
Non-operating income and loss	-
Profit from continuing operations before income tax	193,093
Income tax expense	(61,506)
Profit from continuing operations after income tax	131,587
Net income	131,587
Other comprehensive income	(529,497)
Total comprehensive loss	$(397,910)
Primary earnings per share	Note

Note：Cathay Woolgate Exchange Holding 1 Limited is a limited company, there is no information about earnings per share

<u>English Translation of Financial Statements Originally Issued in Chinese</u>

Cathay Woolgate Exchange Holding 2 Limited
Condensed Balance Sheet
As of 31 December 2014
(Expressed in thousands of New Taiwan Dollars)

Items	2014.12.31
Assets	
Current assets	$12,139
Investment property	153,409
Total assets	$165,548
Liabilities	
Current liability	$1,792
Total liabilities	1,792
Stockholders' equity	
Capital stock	168,222
Retained earnings	876
Others	(5,342)
Total stockholders' equity	163,756
Total liabilities and stockholders' equity	$165,548

Cathay Woolgate Exchange Holding 2 Limited
Condensed Statement of Comprehensive Income
For the years ended 31 December 2014
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	2014.1.1~2014.12.31
Operating income	$3,111
Operating expenses	(1,614)
Operating income	1,497
Non-operating income and loss	-
Profit from continuing operations before income tax	1,497
Income tax expense	(621)
Profit from continuing operations after income tax	876
Net income	876
Other comprehensive loss	(5,342)
Total comprehensive loss	$(4,466)
Primary earnings per share	Note

Note：Cathay Woolgate Exchange Holding 2 Limited is a limited company, there is no information about earnings per share

English Translation of Financial Statements Originally Issued in Chinese

Cathay Insurance Co., Ltd (China)
Condensed Balance Sheet
As of 31 December 2014 and 2013 and as of 1 January 2013
(Expressed in thousands of New Taiwan Dollars)

Items	2014.12.31	2013.12.31	2013.1.1
Assets			
Cash and cash equivalents	$1,100,841	$1,101,188	$405,943
Receivables	199,929	141,935	141,039
Financial asset at fair value through profit or loss	210,164	139,915	51,813
Available-for-sale financial assets	672,852	842,974	653,940
Investment in debt securities with no active market	512,268	74,208	70,112
Reinsurance contract assets	874,262	493,754	308,462
Property and equipment	75,741	74,974	44,380
Intangible assets	15,854	18,176	6,998
Other assets	870,306	661,007	403,365
Total assets	$4,532,217	$3,548,131	$2,086,052
Liabilities			
Payables	$388,420	$268,756	$119,446
Insurance liability	2,639,751	2,465,042	1,292,161
Other liability	94,155	114,110	73,865
Total liabilities	3,122,326	2,847,908	1,485,472
Stockholders' equity			
Capital stock	3,707,999	2,717,129	1,745,942
Retained earnings	(2,510,663)	(2,158,102)	(1,265,328)
Others	212,555	141,196	119,966
Total stockholders' equity	1,409,891	700,223	600,580
Total liabilities and stockholders' equity	$4,532,217	$3,548,131	$2,086,052

Cathay Insurance Co., Ltd (China)
Condensed Statement of Comprehensive Income
For the years ended 31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Operating income	$2,526,754	$1,752,590
Operating costs	(1,882,389)	(1,679,403)
Operating expenses	(1,041,747)	(987,746)
Operating loss	(397,382)	(914,559)
Non-operating income	44,821	21,785
Loss from continuing operations before income tax	(352,561)	(892,774)
Income tax expense	-	-
Loss from continuing operations after income tax	(352,561)	(892,774)
Net loss	(352,561)	(892,774)
Other comprehensive income	71,359	21,230
Total comprehensive loss	$(281,202)	$(871,544)
Primary earnings per share	Note	Note

Note：Cathay Century (China) is a limited company, there is no information about earnings per share.

Cathay Insurance Co., Ltd (Vietnam)
Condensed Balance Sheet
As of 31 December 2014 and 2013 and as of 1 January 2013
(Expressed in thousands of New Taiwan Dollars)

Items	2014.12.31	2013.12.31	2013.1.1
Assets			
Cash and cash equivalents	$24,441	$95,397	$245,601
Receivables	74,541	43,082	34,975
Investment in debt securities with no active market	85,500	82,200	80,700
Held-to-maturity financial assets	298,631	287,150	-
Reinsurance contract assets	493,149	174,485	42,774
Property and equipment	13,978	25,998	38,271
Intangible assets	690	745	7,434
Other assets	38,926	24,860	16,766
Total assets	$1,029,856	$733,917	$466,521
Liabilities			
Payables	$38,602	$28,970	$19,796
Liability reserve	583,471	228,948	68,138
Deferred tax liability	40	1	356
Other liability	1,141	1,218	449
Total liabilities	623,254	259,137	88,739
Stockholders' equity			
Capital stock	645,585	645,585	517,502
Retained earnings	(152,363)	(67,778)	(34,576)
Others	(86,620)	(103,027)	(105,144)
Total stockholders' equity	406,602	474,780	377,782
Total liabilities and stockholders' equity	$1,029,856	$733,917	$466,521

Cathay Insurance Co., Ltd (Vietnam)
Condensed Statement of Comprehensive Income
For the years ended 31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Operating income	$102,712	$100,845
Operating costs	(106,082)	(43,557)
Operating expenses	(81,252)	(90,645)
Operating loss	(84,622)	(33,357)
Non-operating income (expense)	75	(205)
Loss from continuing operations before income tax	(84,547)	(33,562)
Income tax expense	(38)	360
Profit from continuing operations after income tax	(84,585)	(33,202)
Net loss	(84,585)	(33,202)
Other comprehensive income	16,407	2,117
Total comprehensive loss	$(68,178)	$(31,085)
Primary earnings per share	Note	Note

Note：Cathay Century (Vietnam) is a limited company, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank Co., Ltd.
Condensed Balance Sheet
As of 31 December 2014 and 2013 and as of 1 January 2013
(Expressed in thousands of New Taiwan Dollars)

Items	2014.12.31	2013.12.31	2013.1.1
Assets			
Cash and cash equivalents	$140,351,360	$66,775,540	$33,496,114
Due from the Central Bank and call loans to banks	143,753,829	140,479,847	98,844,688
Financial assets at fair value through profit or loss	151,712,443	162,997,211	67,796,967
Derivative financial assets for hedging	448,745	837,179	1,203,138
Securities purchased under agreements to resell	33,059,521	7,645,763	-
Receivables-net	78,809,457	120,044,971	50,728,353
Assets held for sale -net	-	81,950	-
Discounts and loans-net	1,096,487,685	1,013,723,116	986,516,412
Available-for-sale financial assets	84,008,468	67,046,565	63,186,407
Held-to-maturity financial assets	51,147,071	50,711,678	20,542,870
Investments accounted for using the equity method	7,427,895	5,836,126	5,038,973
Other financial assets-net	9,678	22,154	13,619
Investment in debt securities with no active market-net	369,327,713	280,272,013	424,043,663
Property and equipment-net	22,190,496	22,240,641	21,896,653
Investment property-net	4,308,182	4,479,508	4,439,924
Intangible assets-net	7,050,372	7,045,413	7,164,320
Deferred tax assets	1,579,398	1,456,529	1,550,746
Other assets-net	19,393,789	7,143,444	4,542,369
Total assets	$2,211,066,102	$1,958,839,648	$1,791,005,216
Liabilities			
Due to the Central Bank and call loans from banks	$57,797,121	$50,630,112	$51,891,103
Funds borrowed from the Central Bank and other banks	1,585,900	1,497,500	1,456,800
Financial liabilities at fair value through profit or loss	57,705,513	11,271,187	4,967,738
Securities sold under agreements to repurchase	59,689,306	58,681,600	20,369,249
Payables	21,438,383	14,795,810	21,225,349
Deposits and remittances	1,711,904,075	1,596,302,557	1,520,735,366
Financial debentures payable	67,613,949	52,417,213	42,518,631
Other financial liabilities	79,842,351	36,145,158	17,426,191
Liability reserve	2,119,266	2,035,564	2,009,384
Deferred tax liability	1,457,439	618,631	634,704
Other liability	5,429,000	4,719,433	4,114,007
Total liabilities	2,066,582,303	1,829,114,765	1,687,348,522
Stockholders' equity			
Capital stock	67,112,762	64,668,494	52,277,026
Capital surplus	23,969,412	23,971,498	15,213,292
Retained earnings	49,455,600	39,956,742	34,763,003
Others	3,946,025	1,128,149	1,403,373
Total stockholders' equity	144,483,799	129,724,883	103,656,694
Total liabilities and stockholders' equity	$2,211,066,102	$1,958,839,648	$1,791,005,216

Cathay United Bank Co., Ltd.
Condensed Statement of Comprehensive Income
For the years ended 31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Interest income	$38,679,541	$32,973,623
Interest expenses	(13,944,268)	(12,051,044)
Operating profit	24,735,273	20,922,579
Non-interest income	20,199,432	15,795,786
Total income	44,934,705	36,718,365
Bad debt expense and reserve for loss on guarantees	(2,324,557)	(577,765)
Operating expenses	(22,165,037)	(19,616,450)
Profit from continuing operations before income tax	20,445,111	16,524,150
Income tax expense	(2,783,300)	(1,990,081)
Profit from continuing operations after income tax	17,661,811	14,534,069
Net income	17,661,811	14,534,069
Other comprehensive income (loss)	2,802,484	(275,224)
Total comprehensive income	$20,464,295	$14,258,845
Primary earnings per share	$2.63	$2.25

English Translation of Financial Statements Originally Issued in Chinese

Indovina Bank Limited
Condensed Balance Sheet
As of 31 December 2014 and 2013 and as of 1 January 2013
(Expressed in thousands of New Taiwan Dollars)

Items	2014.12.31	2013.12.31	2013.1.1
Assets			
Cash and cash equivalents	$857,659	$571,307	$816,727
Due from the Central Bank and call loans to banks	10,390,361	12,450,373	12,404,089
Financial assets at fair value through profit or loss	65,171	62,346	140,920
Available-for-sale financial assets	2,463,366	861,559	768,190
Receivables-net	266,886	793,781	369,539
Discounts and loans-net	20,208,091	16,301,693	15,808,657
Held-to-maturity financial assets	1,923,546	683,400	1,126,103
Property and equipment-net	445,688	403,407	281,343
Intangible assets-net	378,451	5,216	10,001
Deferred tax assets-net	-	171	15,769
Other assets-net	101,848	416,020	353,101
Total assets	$37,101,067	$32,549,273	$32,094,439
Liabilities			
Due to the Central Bank and call loans from banks	$4,743,090	$7,570,029	$8,116,896
Financial liabilities at fair value through profit or loss	9,313		
Payables	926,822	427,360	1,295,180
Current income tax liabilities	194,013	43,062	26,548
Deposits and remittances	23,827,032	17,453,353	17,219,063
Liability reserve	9,950	-	-
Deferred tax liability	44,421	58,961	19,949
Other liability	-	118,528	75,672
Total liabilities	29,754,641	25,671,293	26,753,308
Stockholders' equity			
Capital stock	6,094,911	6,094,911	5,269,493
Retained earnings	1,183,884	1,141,007	638,078
Others	67,631	(357,938)	(566,440)
Total stockholders' equity	7,346,426	6,877,980	5,341,131
Total liabilities and stockholders' equity	$37,101,067	$32,549,273	$32,094,439

Indovina Bank Limited
Condensed Statement of Comprehensive Income
For the years ended 31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Interest income	$1,924,777	$2,073,619
Interest expenses	(1,004,295)	(1,147,918)
Net interest income	920,482	925,701
Non-interest income	112,385	156,005
Total income	1,032,867	1,081,706
Bad debt expense and reserve for loss on guarantees	(62,126)	54,701
Operating expenses	(491,168)	(432,374)
Profit from continuing operations before income tax	479,573	704,033
Income tax expense	(106,266)	(201,104)
Profit from continuing operations after income tax	373,307	502,929
Net income	373,307	502,929
Other comprehensive income	425,569	208,502
Total comprehensive income	$798,876	$711,431
Primary earnings per share	Note	Note

Note：Indovina Bank is a limited company, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank (Cambodia) Corporation Limited

Condensed Balance Sheet

As of 31 December 2014 and 2013 and as of 1 January 2013

(Expressed in thousands of New Taiwan Dollars)

Items	2014.12.31	2013.12.31	2013.1.1
Assets			
Cash and cash equivalents	$1,445,313	$909,957	$678,535
Due from the Central Bank and call loans to banks	728,988	392,546	521,843
Available-for-sale financial assets	812	766	-
Receivables-net	47,649	59,212	52,289
Discounts and loans-net	2,585,327	1,080,512	858,125
Other financial assets-net	-	-	728
Property and equipment-net	144,150	136,791	136,718
Intangible assets-net	11,007	7,647	5,971
Other assets-net	130,852	121,802	27,248
Total assets	$5,094,098	$2,709,233	$2,281,457
Liabilities			
Due to the Central Bank and call loans from banks	$31,873	$179,847	$143
Payables	84,768	52,664	38,488
Current income tax liabilities	1,133	1,175	-
Deposits and remittances	3,292,159	2,104,552	1,819,637
Other liability	340	607	5,183
Total liabilities	3,410,273	2,338,845	1,863,451
Stockholders' equity			
Capital stock	1,783,202	494,836	495,312
Retained earnings	(203,413)	(133,869)	(77,205)
Others	104,036	9,421	(101)
Total stockholders' equity	1,683,825	370,388	418,006
Total liabilities and stockholders' equity	$5,094,098	$2,709,233	$2,281,457

Cathay United Bank (Cambodia) Corporation Limited

Condensed Statement of Comprehensive Income

For the years ended 31 December 2014 and 2013

(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Interest income	$163,562	$99,314
Interest expenses	(40,198)	(32,142)
Net interest income	123,364	67,172
Non-interest income	58,913	58,109
Total income	182,277	125,281
Bad debt expense and reserve for loss on guarantees	(84,025)	(18,446)
Operating expenses	(165,303)	(166,962)
Loss from continuing operations before income tax	(67,051)	(60,127)
Income tax (expense) profit	(2,493)	3,463
Loss from continuing operations after income tax	(69,544)	(56,664)
Net loss	(69,544)	(56,664)
Other comprehensive income	94,615	9,522
Total comprehensive income (loss)	$25,071	$(47,142)
Primary earnings per share	$(3.04)	$(4.17)

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Corporation
Condensed Balance Sheet
As of 31 December 2014 and 2013 and as of 1 January 2013
(Expressed in thousands of New Taiwan Dollars)

Items	2014.12.31	2013.12.31	2013.1.1
Assets			
Current assets	$20,099,651	$15,409,801	$14,366,771
Available-for-sale financial assets	18	18	18
Investments accounted for using the equity method	1,075,677	1,010,746	802,854
Property and equipment	176,373	163,055	113,495
Intangible assets	60,022	27,861	12,128
Deferred tax assets	5,454	5,774	313,808
Other non-current assets	492,380	473,523	445,339
Total assets	$21,909,575	$17,090,778	$16,054,413
Liabilities			
Current liability	$15,705,347	$12,000,481	$11,061,728
Deferred tax liability	33,897	253	317,912
Other non-current liability	11,064	8,353	7,823
Total liabilities	15,750,308	12,009,087	11,387,463
Stockholders' equity			
Capital stock	4,700,000	3,982,027	3,866,660
Capital surplus	491,766	291,766	291,766
Retained earnings	750,430	610,174	499,055
Others	217,071	197,724	9,469
Total stockholders' equity	6,159,267	5,081,691	4,666,950
Total liabilities and stockholders' equity	$21,909,575	$17,090,778	$16,054,413

Cathay Securities Corporation
Condensed Statement of Comprehensive Income
For the years ended 31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Revenues	$1,867,310	$1,435,627
Serivce fee expenses	(72,663)	(48,073)
Employee benefit expenses	(670,084)	(573,592)
Share of the profit of associates and joint ventures accounted for using the equity method	27,306	39,137
Operating expneses	(780,065)	(639,849)
Non-oprating income	24,804	21,475
Profit from continuing operations before income tax	396,608	234,725
Income tax expense	(38,379)	(8,239)
Profit from continuing operations after income tax	358,229	226,486
Net income	358,229	226,486
Other comprehensive income	19,347	188,255
Total comprehensive income	$377,576	$414,741
Primary earnings per share	$0.84	$0.54

English Translation of Financial Statements Originally Issued in Chinese

Cathay Venture Inc.
Condensed Balance Sheet
As of 31 December 2014 and 2013 and as of 1 January 2013
(Expressed in thousands of New Taiwan Dollars)

Items	2014.12.31	2013.12.31	2013.1.1
Assets			
Current assets	$482,414	$398,984	$663,149
Available-for-sale financial assets	2,401,843	2,370,304	1,207,167
Investments accounted for using the equity method	150,822	64,028	228,616
Property and equipment	282	479	306
Deferred tax assets	9,487	13,325	18,881
Other non-current assets	837	837	680
Total assets	$3,045,685	$2,847,957	$2,118,799
Liabilities			
Current liability	$5,649	$5,331	$4,874
Deferred tax liability	3,147	4,704	3,216
Other non-current liability	2,075	1,207	478
Total liabilities	10,871	11,242	8,568
Stockholders' equity			
Capital stock	2,174,236	2,000,000	2,000,000
Retained earnings	322,574	242,128	205,204
Others	538,004	594,587	(94,973)
Total stockholders' equity	3,034,814	2,836,715	2,110,231
Total liabilities and stockholders' equity	$3,045,685	$2,847,957	$2,118,799

Cathay Venture Inc.
Condensed Statement of Comprehensive Income
For the years ended 31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Operating income	$287,056	$249,374
Operating costs	(20,107)	(40,407)
Operating expenses	(13,255)	(10,135)
Non-oprating income	2,701	319
Profit from continuing operations before income tax	256,395	199,151
Income tax expense	(1,713)	(5,556)
Profit from continuing operations after income tax	254,682	193,595
Net income	254,682	193,595
Other comprehensive (loss) income	(56,583)	689,560
Total comprehensive income	$198,099	$883,155
Primary earnings per share	$1.17	$0.89

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Cathay Securities Investment Trust Co., Ltd.
Condensed Balance Sheet
As of 31 December 2014 and 2013 and as of 1 January 2013
(Expressed in thousands of New Taiwan Dollars)

Items	2014.12.31	2013.12.31	2013.1.1
Assets			
Current assets	$1,880,731	$1,681,323	$1,677,761
Available-for-sale financial assets	126,726	143,232	128,032
Held-to-maturity financial assets	-	-	200,000
Investment in debt securities with no active market	-	2,500	11,250
Investments accounted for using the equity method	279,825	298,036	-
Property and equipment	15,699	18,466	19,952
Intangible assets	12,666	15,191	10,475
Deferred tax assets	9,955	9,614	9,406
Other non-current assets	306,818	277,676	244,064
Total assets	$2,632,420	$2,446,038	$2,300,940
Liabilities			
Current liability	$290,016	$261,437	$183,517
Other non-current liability	173,112	152,978	121,447
Total liabilities	463,128	414,415	304,964
Stockholders' equity			
Capital stock	1,500,000	1,500,000	1,500,000
Capital surplus	13,908	13,908	13,908
Retained earnings	636,504	500,730	480,079
Others	18,880	16,985	1,989
Total stockholders' equity	2,169,292	2,031,623	1,995,976
Total liabilities and stockholders' equity	$2,632,420	$2,446,038	$2,300,940

Cathay Securities Investment Trust Co., Ltd.
Condensed Statement of Comprehensive Income
For the years ended 31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Operating income	$1,349,944	$1,248,468
Operating expenses	(943,677)	(907,030)
Operating gross profit	406,267	341,438
Non-operating income (expense)	14,724	(12,060)
Profit from continuing operations before income tax	420,991	329,378
Income tax expense	(75,261)	(59,862)
Profit from continuing operations after income tax	345,730	269,516
Net income	345,730	269,516
Other comprehensive income	1,895	14,996
Total comprehensive income	$347,625	$284,512
Primary earnings per share	$2.30	$1.80

English Translation of Financial Statements Originally Issued in Chinese

Cathay Futures Co., Ltd.
Condensed Balance Sheet
As of 31 December 2014 and 2013 and as of 1 January 2013
(Expressed in thousands of New Taiwan Dollars)

Items	2014.12.31	2013.12.31	2013.1.1
Assets			
Current assets	$2,940,798	$2,876,356	$2,516,674
Available-for-sale financial asseets	245,580	222,738	30,500
Property and equipment	57,507	59,267	59,026
Investment property	285,084	283,749	281,347
Intangible assets	9,242	2,212	1,311
Other non-current assets	168,291	169,110	151,316
Total assets	$3,706,502	$3,613,432	$3,040,174
Liabilities			
Current liability	$2,657,908	$2,595,410	$2,230,012
Deferred tax liability	6,253	5,736	5,794
Other non-current liability	1,447	1,446	1,439
Total liabilities	2,665,608	2,602,592	2,237,245
Stockholders' equity			
Capital stock	650,000	650,000	650,000
Retained earnings	176,462	170,628	152,929
Others	214,432	190,212	-
Total stockholders' equity	1,040,894	1,010,840	802,929
Total liabilities and stockholders' equity	$3,706,502	$3,613,432	$3,040,174

Cathay Futures Co., Ltd.
Condensed Statement of Comprehensive Income
For the years ended 31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	2014.1.1~2014.12.31	2013.1.1~2013.12.31
Income	$138,482	$122,151
Expenses	(148,517)	(134,691)
Operating loss	(10,035)	(12,540)
Non-operating income	47,815	56,067
Profit from continuing operations before income tax	37,780	43,527
Income tax expense	(4,632)	(4,386)
Profit from continuing operations after income tax	33,148	39,141
Net income	33,148	39,141
Other comprehensive income	24,220	190,212
Total comprehensive income	$57,368	$229,353
Primary earnings per share	$0.51	$0.60