

Cathay Financial Holding Co., Ltd. and Subsidiaries

Consolidated Financial Statements

As of December 31, 2012 and 2011

With Independent Auditors' Report

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

Telephone: 886-2-2708-7698

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

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

To: Board of Directors

Cathay Financial Holding Co., Ltd.

We have audited the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. (the "Company") and its subsidiaries ("Subsidiaries") as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year ended December 31, 2012 and 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for the year ended December 31, 2012 and 2011 in conformity with requirements of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies" and accounting principles generally accepted in the ROC.

As described in Note 3 to the financial statements, effective from January 1, 2011, the Company and its subsidiaries adopted the third revision of the ROC Statement of Financial Accounting Standards ("SFAS") No. 34, "Financial Instruments: Recognition and Measurement", the newly issued SFAS No. 41, "Operating Segments", and SFAS No. 40, "Insurance Contracts".

Ernst & Young
Taipei, Taiwan
The Republic of China
March 15, 2013

Notice to Readers

The accompanying consolidated financial statements are intended only to present the 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 of December 31, 2012 and 2011
(Expressed in thousands of dollars)

		December 31, 2012		December 31, 2011	
	Notes	NT \$	US \$	NT \$	US \$
Assets					
Cash and cash equivalents	2, 4	\$702,403,376	\$24,179,118	\$726,749,401	\$24,008,900
Due from the Central Bank and call loans to banks		104,175,647	3,586,081	87,406,822	2,887,573
Financial assets at fair value through profit or loss	2, 5	147,145,050	5,065,234	84,697,424	2,798,065
Securities purchased under agreements to resell		18,517,498	637,435	11,820,837	390,513
Receivables -net		115,796,856	3,986,122	97,164,171	3,209,916
Loans -net	2, 6	1,520,005,053	52,323,754	1,492,075,402	49,292,217
Available-for-sale financial assets -net	2, 7	1,284,920,865	44,231,355	1,336,579,892	44,155,266
Held-to-maturity financial assets -net	2, 8	24,380,985	839,277	21,955,565	725,324
Investments under equity method	2, 9	1,146,326	39,460	1,287,843	42,545
Other financial assets -net	2, 10	42,087,293	1,448,788	32,586,387	1,076,524
Investments in debt securities with no active market	2, 11	813,141,357	27,991,097	528,978,714	17,475,346
Separate account products assets		329,557,246	11,344,484	294,051,012	9,714,272
Investments in real estate	2, 12	163,887,441	5,641,564	146,173,482	4,828,989
Property and equipment -net		48,821,416	1,680,600	38,605,554	1,275,373
Goodwill and intangible assets -net	2, 13	9,734,376	335,090	9,692,897	320,215
Other assets -net		109,582,019	3,772,187	95,577,377	3,157,495
Total assets		\$5,435,302,804	\$187,101,646	\$5,005,402,780	\$165,358,533
Liabilities & stockholders' equity					
Liabilities					
Due to the Central Bank and call loans from banks		\$56,934,246	\$1,959,871	\$62,275,073	\$2,057,320
Bankers acceptances and funds borrowed		1,456,800	50,148	1,514,500	50,033
Commercial paper payable	2, 14	5,540,000	190,706	8,720,000	288,074
Financial liabilities at fair value through profit or loss	2, 15	8,718,702	300,127	23,136,143	764,326
Securities sold under agreements to repurchase	5, 7	22,046,517	758,916	14,686,609	485,187
Payables		61,147,624	2,104,910	48,074,475	1,588,189
Deposits	16	1,458,587,976	50,209,569	1,414,421,828	46,726,853
Bonds payable	2, 17	89,831,007	3,092,289	76,023,825	2,511,524
Other financial liabilities	2, 18	17,426,191	599,869	10,611,073	350,547
Separate account products liabilities	2, 19	329,557,246	11,344,484	294,051,012	9,714,272
Reserve for operations and liabilities		3,117,676,956	107,321,066	2,822,627,363	93,248,343
Other liabilities		17,795,091	612,567	11,549,306	381,543
Total liabilities		5,186,718,356	178,544,522	4,787,691,207	158,166,211
Stockholders' Equity attributable to equity holders of the parent					
Stock					
Common stock	20	108,653,851	3,740,236	103,575,096	3,421,708
Capital surplus	21	78,596,121	2,705,546	78,508,148	2,593,596
Retained earnings	22				
Legal reserve		15,222,599	524,014	14,105,459	465,988
Special reserve		333,598	11,483	333,598	11,021
Unappropriated retained earnings		20,031,074	689,538	14,303,983	472,547
Other stockholders' equity					
Land revaluation increment		1,461	50	1,461	48
Cumulative conversion adjustments		(1,082,092)	(37,249)	(378,126)	(12,492)
Unrealized gains or losses on financial instruments		31,349,676	1,079,163	11,816,355	390,365
Treasury stock	23	(7,179,872)	(247,156)	(7,179,872)	(237,194)
Net loss not yet recognized as net pension cost		(1,093,582)	(37,645)	(1,425,167)	(47,082)
Total stockholder's equity attributable to equity holders of the parent		244,832,834	8,427,980	213,660,935	7,058,505
Minority interest		3,751,614	129,144	4,050,638	133,817
Total stockholders' equity		248,584,448	8,557,124	217,711,573	7,192,322
Total liabilities and stockholders' equity		\$5,435,302,804	\$187,101,646	\$5,005,402,780	\$165,358,533

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2012 and 2011 were NT\$29.05 and NT\$30.27 to US\$1.00, respectively)

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 income
For the years ended December 31, 2012 and 2011
(Expressed in thousands of dollars, except earnings per share)

		2012		2011					
	Notes	NT \$	US \$	NT \$	US \$				
Interest income	2	\$126,595,497	\$4,357,848	\$117,654,870	\$3,886,847				
Less: Interest expenses	2	(13,779,256)	(474,329)	(12,599,410)	(416,234)				
Net interest income		112,816,241	3,883,519	105,055,460	3,470,613				
Net income other than interest									
Net commission and handling fee		2,225,172	76,598	920,221	30,400				
Net premiums from insurance business		228,355,016	7,860,758	138,806,406	4,585,610				
Gains (losses) on financial assets and liabilities at fair value through profit or loss		26,540,425	913,612	(67,054,127)	(2,215,201)				
Realized gains on available-for-sale financial assets		27,512,408	947,071	21,922,074	724,218				
Realized (losses) gains on held-to-maturity financial assets		(805)	(28)	59,781	1,975				
(Losses) gains on investments under equity method		(49,589)	(1,707)	106,638	3,523				
Gains on investments in real estate		6,127,915	210,944	6,491,035	214,438				
(Losses) gain on foreign exchange		(34,483,637)	(1,187,044)	37,943,163	1,253,491				
Impairment losses		(225,360)	(7,758)	(256,318)	(8,468)				
Net other non-interest gains		9,944,622	342,328	10,792,386	356,537				
Total income		378,762,408	13,038,293	254,786,719	8,417,136				
Bad debt expenses		(3,172,002)	(109,191)	(1,062,613)	(35,104)				
Provision for premiums reserve		(307,361,510)	(10,580,431)	(196,217,221)	(6,482,234)				
Operating expenses	24								
Personnel expenses		(32,904,098)	(1,132,671)	(30,938,327)	(1,022,079)				
Depreciation and amortizations expenses		(4,044,630)	(139,230)	(4,114,981)	(135,943)				
Other general and administration expenses		(14,259,794)	(490,871)	(12,835,637)	(424,038)				
Income from continuing operations before income taxes		17,020,374	585,899	9,617,940	317,738				
Income taxes benefit	2, 25	37,663	1,297	1,666,590	55,058				
Income from continuing operations after income taxes		17,058,037	587,196	11,284,530	372,796				
Consolidated net income		\$17,058,037	\$587,196	\$11,284,530	\$372,796				
Include:									
Parent company		\$17,001,741	\$585,258	\$11,128,898	\$367,654				
Minority interest		56,296	1,938	155,632	5,142				
Consolidated net income		\$17,058,037	\$587,196	\$11,284,530	\$372,796				
Earnings per share (expressed in dollars) :	26								
Primary earnings per share:									
		Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Income from continuing operations		\$1.60	\$1.60	\$0.06	\$0.06	\$0.89	\$1.04	\$0.03	\$0.03
Consolidated net income		\$1.60	\$1.60	\$0.06	\$0.06	\$0.89	\$1.04	\$0.03	\$0.03
Diluted earnings per share:									
		Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Income from continuing operations		\$1.59	\$1.59	\$0.05	\$0.05	\$0.89	\$1.04	\$0.03	\$0.03
Consolidated net income		\$1.59	\$1.59	\$0.05	\$0.05	\$0.89	\$1.04	\$0.03	\$0.03

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2012 and 2011 were NT\$29.05 and NT\$30.27 to US\$1.00, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated statements of changes in stockholders' equity
For the years ended December 31, 2012 and 2011
(Expressed in thousands of dollars)

Summary	Stock				Retained earnings						Other stockholders' equity													
	Common stock		Capital surplus		Legal reserve		Special reserve		Unappropriated retained earnings		Land revaluation increment		Cumulative conversion adjustments		Unrealized gains or losses on financial instruments		Treasury stock		Net loss not yet recognized as net pension cost		Minority interest		Total	
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Balance on January 1, 2011	\$101,544,212	\$3,354,616	\$78,508,148	\$2,593,596	\$13,645,400	\$450,790	\$-	\$-	\$11,748,433	\$388,121	\$1,461	\$48	\$(893,051)	\$(29,503)	\$14,672,597	\$484,724	\$-	\$-	\$(650,993)	\$(21,506)	\$3,930,725	\$129,855	\$222,506,932	\$7,350,741
Minority interest																					\$(35,719)	(1,180)	(35,719)	(1,180)
Appropriations and distribution for 2011 (Note1)																								
Legal reserve					460,059	15,198			(460,059)	(15,198)													-	-
Cash dividends									(6,092,652)	(201,277)													(6,092,652)	(201,277)
Stock dividend to be distributed	2,030,884	67,092							(2,030,884)	(67,092)													-	-
Cumulative conversion adjustments													514,925	17,011									514,925	17,011
Unrealized gains or losses of financial instruments															(2,856,242)	(94,359)							(2,856,242)	(94,359)
Purchase of treasury stock																	(7,179,872)	(237,194)					(7,179,872)	(237,194)
Adjustments made by subsidiaries							333,598	11,021	10,247	339													343,845	11,360
Net loss not yet recognized as net pension cost																			(774,174)	(25,576)			(774,174)	(25,576)
Consolidated net income for the year ended December 31, 2011									11,128,898	367,654											155,632	5,142	11,284,530	372,796
Balance on December 31, 2011	\$103,575,096	\$3,421,708	\$78,508,148	\$2,593,596	\$14,105,459	\$465,988	\$333,598	\$11,021	\$14,303,983	\$472,547	\$1,461	\$48	\$(378,126)	\$(12,492)	\$11,816,355	\$390,365	\$(7,179,872)	\$(237,194)	\$(1,425,167)	\$(47,082)	\$4,050,638	\$133,817	\$217,711,573	\$7,192,322
Balance on January 1, 2012	\$103,575,096	\$3,565,408	\$78,508,148	\$2,702,518	\$14,105,459	\$485,558	\$333,598	\$11,483	\$14,303,983	\$492,392	\$1,461	\$50	\$(378,126)	\$(13,016)	\$11,816,355	\$406,759	\$(7,179,872)	\$(247,156)	\$(1,425,167)	\$(49,059)	\$4,050,638	\$139,437	\$217,711,573	\$7,494,374
Minority interest																					(355,320)	(12,231)	(355,320)	(12,231)
Appropriations and distribution for 2012 (Note2)																								
Legal reserve					1,117,140	38,456			(1,117,140)	(38,456)													-	-
Cash dividend									(5,078,755)	(174,828)													(5,078,755)	(174,828)
Stock dividend	5,078,755	174,828							(5,078,755)	(174,828)													-	-
Cumulative conversion adjustments													(703,966)	(24,233)									(703,966)	(24,233)
Unrealized gains or losses of financial instruments															19,533,321	672,404							19,533,321	672,404
Embedded conversion options derived from convertible bonds			87,973	3,028																			87,973	3,028
Net loss not yet recognized as net pension cost																			331,585	11,414			331,585	11,414
Consolidated net income for the year ended December 31, 2012									17,001,741	585,258											56,296	1,938	17,058,037	587,196
Balance on December 31, 2012	\$108,653,851	\$3,740,236	\$78,596,121	\$2,705,546	\$15,222,599	\$524,014	\$333,598	\$11,483	\$20,031,074	\$689,538	\$1,461	\$50	\$(1,082,092)	\$(37,249)	\$31,349,676	\$1,079,163	\$(7,179,872)	\$(247,156)	\$(1,093,582)	\$(37,645)	\$3,751,614	\$129,144	\$248,584,448	\$8,557,124

Note1 : The remuneration of directors and supervisors NT \$5,400 (US\$178) thousands, employee bonus NT \$813 (US\$27) thousands were recorded as operating cost and expense in 2011.

Note2 : The remuneration of directors and supervisors NT \$5,400 (US\$186) thousands, employee bonus NT \$1,016 (US\$35) thousands were recorded as operating cost and expense in 2012.

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2012 and 2011 were NT\$29.05 and NT\$30.27 to US\$1.00, respectively)

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 cash flows
For the years ended December 31, 2012 and 2011
(Expressed in thousands of dollars)

	January 1 ~ December 31, 2012		January 1 ~ December 31, 2011	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Consolidated net income	\$17,058,037	\$587,196	\$11,284,530	\$372,796
Adjustments:				
Income and other adjustments with no cash flow effects				
Depreciation and amortization expenses	4,044,630	139,230	4,114,981	135,943
Investment income recognized by equity method less than cash dividends received	132,142	4,549	27,066	894
Bad debt expenses	3,172,002	109,191	1,062,613	35,104
Revaluation Gain on bonds payable	(207,604)	(7,146)	-	-
Amortization of discounts on bonds payable	23,352	804	-	-
Provision for premiums reserve from insurance business	295,253,475	10,163,631	206,594,611	6,825,061
Gain on disposal of property and equipment	(1,804,705)	(62,124)	(521,647)	(17,233)
Impairment loss	225,360	7,758	256,318	8,468
Other adjustments	105,370	3,627	(83,513)	(2,759)
Decrease (increase) on operating assets and liabilities				
(Increase) decrease in receivables	(15,776,300)	(543,074)	24,021,637	793,579
Increase in deferred income tax assets	(2,312,714)	(79,612)	(6,821,178)	(225,345)
(Increase) decrease in financial assets at fair value through profit or loss	(62,168,705)	(2,140,059)	85,473,977	2,823,719
(Increase) decrease in other financial assets	(10,338,099)	(355,873)	21,140,733	698,405
Increase in other assets	(1,003,121)	(34,531)	(3,245,624)	(107,222)
Increase (decrease) in payables	11,480,832	395,209	(37,092,747)	(1,225,396)
(Decrease) increase in financial liabilities at fair value through profit or loss	(14,856,527)	(511,412)	4,849,259	160,200
(Decrease) increase in deferred income tax liabilities	(132,463)	(4,560)	97,092	3,208
Decrease in other financial liabilities	-	-	(227,154)	(7,504)
Increase (decrease) in other liabilities	6,074,609	209,109	(704,670)	(23,280)
Net cash provided by operating activities	228,969,571	7,881,913	310,226,284	10,248,638
Cash flows from investing activities				
Increase in restricted assets	(412,100)	(14,186)	(587,900)	(19,422)
Increase in loans	(39,023,845)	(1,343,334)	(109,573,869)	(3,619,884)
(Increase) decrease in due from the Central Bank and call loans to banks	(9,287,352)	(319,702)	11,683,743	385,984
Decrease (increase) in available-for-sale financial assets	71,814,088	2,472,086	(85,454,514)	(2,823,076)
(Increase) decrease in held-to-maturity financial assets	(2,470,022)	(85,027)	19,314,312	638,068
(Increase) decrease in investments under equity method	(7,742)	(266)	26,618	879
Increase investments in real estate	(26,993,558)	(929,210)	(22,406,131)	(740,209)
Acquisition of property and equipment	(4,674,157)	(160,900)	(1,085,496)	(35,860)
Disposal of property and equipment	2,579,911	88,809	150,934	4,986
(Increase) decrease in securities purchased under agreements to resell	(6,696,661)	(230,522)	37,163,656	1,227,739
Increase in other financial assets	(296,163,322)	(10,194,951)	(175,173,136)	(5,787,021)
Decrease (increase) in other assets	566,216	19,491	(3,709,901)	(122,560)
Acquisition of subsidiary	(654,930)	(22,545)	(1,563,961)	(51,667)
Net cash used in investing activities	(311,423,474)	(10,720,257)	(331,215,645)	(10,942,043)
Cash flows from financing activities				
(Decrease) increase in due to the Central Bank and call loans from banks	(1,754,388)	(60,392)	13,987,497	462,091
Increase in deposits	42,950,993	1,478,519	84,337,746	2,786,183
Increase (decrease) in securities sold under agreements to repurchase	7,366,152	253,568	(7,463,518)	(246,565)
(Decrease) increase in banker's acceptances and funds borrowed	(3,272,752)	(112,659)	2,620,951	86,586
Increase in bonds payable	6,561,928	225,884	12,256,715	404,913
Increase in other financial liabilities	3,635,118	125,133	10,033,454	331,465
Increase (decrease) in other liabilities	546,295	18,805	(120,985)	(3,997)
Issue convertible bonds	7,623,096	262,413	-	-
Issue costs of convertible bonds	(38,497)	(1,325)	-	-
Cash dividends	(5,078,757)	(174,828)	(6,092,653)	(201,277)
Purchase of treasury stock	-	-	(7,179,872)	(237,194)
Net cash provided by financing activities	58,539,188	2,015,118	102,379,335	3,382,205
Effects of exchange rate changes	(1,118,671)	(38,508)	1,151,612	38,045
Effects on merger of subsidiaries	687,361	23,661	672,969	22,232
(Decrease) increase in cash and cash equivalents	(24,346,025)	(838,073)	83,214,555	2,749,077
Cash and cash equivalents at the beginning of period	726,749,401	25,017,191	643,534,846	21,259,823
Cash and cash equivalents at the end of period	\$702,403,376	\$24,179,118	\$726,749,401	\$24,008,900
Supplemental disclosure of cash flows information				
Interest paid during the period (excluding capitalized interest)	\$12,508,382	\$430,581	\$10,518,205	\$347,480
Income tax paid	\$3,676,652	\$126,563	\$2,586,889	\$85,460
Investing and financing activities with no cash flow effects				
Reclassification of property and equipment to other assets	\$-	\$-	\$590,598,621	\$19,511,022

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2012 and 2011 were NT\$29.05 and NT\$30.27 to US\$1.00, respectively)

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

Notes to audited Consolidated Financial Statements

December 31, 2012 and 2011

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

1. Organization and business scope

On December 31, 2001, Cathay Life Insurance Co., Ltd. (“Cathay Life”) was reincorporated as Cathay Financial Holding Co., Ltd. (the “Company”) through stock conversion pursuant to the provisions of the Republic of China (“ROC”) Financial Holding Company Act (“Financial Holding Company Act”) and its shares were listed on the Taiwan Stock Exchange Corporation (TSE) on the same day. On April 22, 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 December 18, 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 October 27, 2003, in accordance with the relevant laws and regulations. UWCCB was the surviving company and was re-named to Cathay United Bank Co., Ltd. (“Cathay United Bank”). On May 12, 2004, the Company established Cathay Securities Corporation (“Cathay Securities”) as a wholly owned subsidiary. On June 30, 2005, the Company has invested 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 August 25, 2006. Cathay United Bank absorption merged with Lucky Bank on January 1, 2007. Cathay United Bank acquired specific assets, liabilities, and business of China United Trust & Investment Corporation (“CUTIC”) on December 29, 2007 to improve competitiveness. Cathay Venture Inc. (“Cathay Venture”) was incorporated on April 16, 2003, under the Company Act. Cathay Venture is the surviving company for the merger with Cathay Venture, Cathay II Venture and Cathay Capital management on August 10, 2009. On June 13, 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 June 24, 2011. Since July 29, 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 activities. As of December 31, 2012 and 2011, the total numbers of the employees of the Company and its subsidiaries were 44,461 and 43,904, respectively.

As of and for the years ended December 31, 2012 and 2011, the consolidated financial statements include the following entities:

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Investor	Investee	Business	2012.12.31 Ownership interest	2011.12.31 Ownership interest	Notes
The Company	Cathay Life Insurance Co., Ltd. ("Cathay Life")	Life insurance	100.00%	100.00%	Cathay Life was incorporated in Taiwan on October 23, 1962 under the provisions of the ROC Company Act (the "Company Act").
The Company	Cathay United Bank Co., Ltd. ("Cathay United Bank")	Commercial banking operations	100.00%	100.00%	UWCCB was enfranchised by the ROC government on January 4, 1975. On October 27, 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 absorption merged with Lucky Bank on January 1, 2007.
The Company	Cathay Century Insurance Co., Ltd. ("Cathay Century")	Property and casualty insurance	100.00%	100.00%	Cathay Century was incorporated in Taiwan on July 19, 1993, under the provisions of the Company Act. Cathay Century changed its name from "Tong Tai Insurance Co., Ltd." to "Cathay Century Insurance Co., Ltd." on August 2, 2002.
The Company	Cathay Securities Corporation ("Cathay Securities")	Securities	100.00%	100.00%	Cathay Securities was incorporated on May 12, 2004, under the Company Act. The securities department and the securities agent (Taipei branch) of Cathay United Bank were transferred to Cathay Securities using operating assignment along with its business, assets and liabilities. The assignment date was August 13, 2004.

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Investor	Investee	Business	2012.12.31 Ownership interest	2011.12.31 Ownership interest	Notes
The Company	Cathay Venture Inc. (“Cathay Venture”)	Venture capital investment	100.00%	100.00%	Cathay Venture was incorporated on April 16, 2003, under the Company Act. Cathay Venture is the surviving company for the merger with Cathay Venture, Cathay II Venture and Cathay Capital Management on August 10, 2009.
The Company	Cathay Securities Investment Trust Co., Ltd. (“Cathay Securities Investment Trust”)	Securities investment trust	100.00%	100.00%	Cathay Securities Investment Trust was incorporated on February 11, 2000.
Cathay Life	Cathay Life Insurance Co., Ltd. (China) (“Cathay Life (China)”)	Life insurance	50.00%	50.00%	Cathay Life (China) was incorporated on December 29, 2004. Cathay Life and China Eastern Airlines Corporation Limited each owns 50% interest in Cathay Life (China).
Cathay Life 、 Cathay Venture	Symphox Information Co., Ltd. (“Symphox Information”)	Type II telecom service, data processing service, information supply service	100.00%	100.00%	Symphox Information was incorporated on December 12, 1999, under the Company Act. Cathay Life and Cathay Venture own 60.12% and 39.88% interest in Symphox Information, respectively.
Cathay Life	Cathay Life Insurance (Vietnam) Co., Ltd. (“Cathay Life (Vietnam)”)	Life insurance	100.00%	100.00%	Cathay Life (Vietnam) was incorporated on November 21, 2007.
Cathay Life	Lin Yuan (Shanghai) Real Estate Co., Ltd (“Lin Yuan”)	Office equipment leasing company	100.00%	-	Lin Yuan was incorporated on August 15, 2012.

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Investor	Investee	Business	2012.12.31 Ownership interest	2011.12.31 Ownership interest	Notes
Cathay Life 、 Cathay Century	Cathay Insurance Co., Ltd. (China) ("Cathay Century (China)")	Property and casualty insurance	100.00%	100.00%	Cathay Century (China) was incorporated on August 26, 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%	Cathay Century (Vietnam) was incorporated on November 2, 2010.
Cathay United Bank	Indovina Bank Limited ("Indovina Bank")	Wholesale banking	50.00%	50.00%	Indovina Bank was incorporated in Vietnam on October 29, 1992. Cathay United Bank and Vietinbank each owns 50% interest of Indovina Bank.
Cathay United Bank	Singapore Banking Corporation Limited ("SBC Bank")	Wholesale banking	70.00%	-	SBC Bank was incorporated in Cambodia on 1993. Cathay United Bank 、Kun Swee Tiong and Kun Swee Yi Diaz each owns 70% 、20% and 10% interest of SBC Bank.
Cathay Securities	Cathay Futures Corp. ("Cathay Futures")	Futures related business	99.99%	99.99%	Cathay Futures, former Seaward Futures Agency Co., Ltd., was incorporated on December 29, 1993 under the Company Act and renamed to Seaward Futures Corp. on March 6, 1998. On December 24, 2003, Seaward Futures Corp. changed its name to Cathay Futures Corp. On February 10, 2006, Cathay United Bank sold all the stocks of Cathay Futures to Cathay Securities.

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As of and For the year ended December 31, 2012 and 2011, the consolidated financial statements excluded the following subsidiaries due to the respective total assets and operating revenues were considered immaterial to the Company.

Investor	Investee	Business	2012.12.31 Ownership interest	2011.12.31 Ownership interest	Notes
Cathay life	Cathay Insurance (Bermuda) Co., Ltd. (“Cathay Insurance (Bermuda)”))	Reinsurance	100.00%	100.00%	Cathay Insurance (Bermuda) was incorporated on January 24, 2000.
Cathay life	Cathay Securities Investment Consulting Co., Ltd. (“Cathay Securities Investment Consulting”))	Securities investment research analysis	100.00%	100.00%	Cathay Securities Investment Consulting was incorporated on November 25, 2002.
Cathay United Bank	Seaward Card Co., Ltd. (“Seaward Card”))	Credit card service	100.00%	100.00%	Seaward Card was incorporated on April 9, 1999.

2. Summary of significant accounting policies

The financial statements were prepared in accordance with requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and generally accepted accounting principles. A summary of significant accounting policies is as follows:

(1) Principles of consolidation

A. In accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, the preparation of consolidated financial statements shall comply with the Statements of Financial Accounting Standards of Republic of China (“ROC SFAS”) No. 7, except for subsidiaries in the industries of banking, insurance and securities which are required to be consolidated.

B. All significant inter-company transactions were eliminated in the consolidated financial statements.

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(2) Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in values from fluctuations of interest rates. Cash and cash equivalents include cash on hand, unrestricted bank deposits, checks for clearance, due from commercial banks and all other highly liquid investments with maturities of less than three months.

(3) Financial assets and financial liabilities

In accordance with the ROC SFAS No.34 “Accounting for Financial Instruments”, “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, financial assets are categorized as “financial assets at fair value through profit or loss”, “held-to-maturity financial assets”, “investments in debt securities with no active market”, “available-for-sale financial assets”, “derivative financial assets for hedging”, “financial assets carried at cost”, and “loans and receivables (loans and receivables originated by the enterprise are included in the ROC SFAS No.34 since January 1, 2011.)”. Upon initial recognition, financial assets are measured at fair value, plus in some cases, transaction costs that are directly attributable to the acquisition or issue of the financial assets. Financial liabilities are categorized as “financial liabilities at fair value through profit or loss”, “derivative financial liabilities for hedging”, or “financial liabilities carried at cost”.

The Company and its subsidiaries purchase and sell their financial assets in a “regular way”. “Regular way” purchases or sales are transactions that require the delivery of assets within the period established by regulation or convention in the marketplace.

A. Financial assets or liabilities at fair value through profit or loss

Financial assets or liabilities fallen into this category are measured at fair value through profit or loss after recognition. Such assets or liabilities are classified into financial assets and liabilities with trading purpose and financial assets and liabilities designed as at fair value through profit or loss.

Apart from derivatives and financial instruments designated as at fair value through profit or loss, financial instruments may be reclassified out of the fair value through profit or loss category if the financial instruments are no longer held for the purpose of selling or repurchasing them in the near term, and the following requirements are met:

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- a. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category if the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity.
- b. Financial instruments that would not have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category only in rare circumstances.

The financial instrument shall be reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in profit or loss shall not be reversed. The fair value of the financial instrument on the date of reclassification becomes its new cost or amortized cost, as applicable.

Financial instrument shall not be reclassified into the fair value through profit or loss category after initial recognition.

B. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or not classified in any of the three preceding categories. Gain or losses on available-for-sale financial assets shall be recognized in equity until the assets are derecognized, except for impairment losses and foreign exchange gains or losses upon translation of the assets. When the financial asset is derecognized, at which time the cumulative gains or losses previously recognized in equity shall be recognized in profit or loss.

Available-for-sale financial assets that would have met the definition of loans and receivables may be reclassified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity. Upon reclassification, the fair value on the date of reclassification becomes its new cost or amortized cost, as applicable. Any previous gain or loss on the assets that has been recognized in stockholders' equity shall be amortized over the remaining life of the assets.

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C. Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity financial assets when the Company has both the intention and ability to hold to maturity. Such investments are subsequently measured at amortized cost. Gains and losses from changes in fair values are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process. The amortized cost is computed as the cost (amount initially recognized) minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the cost and the maturity amount, and less any impairment loss or amount unrecoverable. The calculation of effective interest rate includes all fees and points paid or received between parties, transaction costs and all other premiums and discounts.

D. Derivative financial assets or liabilities for hedging

Derivative financial assets or liabilities for hedging are derivative financial assets or liabilities that have been designated as hedging instruments and meet the criteria for hedge accounting. These assets or liabilities are measured at fair value.

E. Financial assets carried at cost

Financial assets measured at cost are investments not measured at fair value because fair value cannot be reliably measured. They are either holdings in non-listed companies or emerging stocks, which have no significant influence or derivative assets that are linked to and must be settled by delivery of the above-mentioned equity instruments. If there is objective evidence that an impairment loss has been incurred on the investment, an impairment loss will be recognized. Such impairment loss shall not be reversed.

F. Investments in debt securities with no active market

Investments in debt securities with no active market are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains or losses from changes in fair values are recognized when investments in debt securities with no active market are derecognized, impaired, or amortized.

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G. 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:

- ① those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading;
- ② those that the entity upon initial recognition designates as at fair value through profit or loss;
- ③ those that the entity upon initial recognition designates as available-for-sale; or
- ④ those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Gains and losses are recognized when the investments are derecognized or impaired, as well as through the amortization process.

H. Financial liabilities

The financial liabilities of the Company and its subsidiaries are subsequently measured at amortized cost after initial recognition, except for “financial liabilities at fair value through profit or loss” and “derivative financial liabilities for hedging”, which are both measured at fair value.

The fair value of investments is determined by reference to the close price at the balance sheet date for listed shares, the net assets value for open-ended funds, and the quoted price by the Taiwan Gre Tai Securities Market for bond. Valuation techniques for debt securities with no active market, hybrid instruments and derivative instruments.

(4) Derecognition of financial assets and liabilities

A. Derecognition of financial assets

A financial asset (or a portion of the assets) is derecognized when the control over the assets (or a portion of the assets) is surrendered. Transferring or surrendering control over a financial asset (or a portion of the assets) in exchange of consideration received is deemed a sale.

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If a transfer of financial asset does not meet the criteria for a sale, the transfer is accounted for as a borrowing with collateral.

B. Derecognition of financial liabilities

A financial liability (or a portion) is derecognized when the obligation under the liability agreement is discharged or cancelled or expires.

Where an existing financial liability is replaced by another one from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognized in the current period income statement.

(5) Accounting for impairment of financial assets

The Company and its subsidiaries assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired.

A. Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the assets shall be reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurs after the impairment is recognized, the previously recognized impairment loss is reversed by adjusting an allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the assets do not exceed what its amortized cost would have been had the impairment not been recognized at the reversal date.

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B. Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, then the amount of the loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss cannot be reversed.

C. Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss but through equity. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

D. Loans and receivables

Since January 1, 2011, the Company and its subsidiaries first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant. If there is objective evidence that an impairment loss on individual loan or receivable has been incurred, the amount of impairment loss should be assessed individually. If there is objective evidence that an impairment loss on a loan or receivable that is not individually significant has been incurred, the Company and its subsidiaries shall include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Similarly, for loans and receivables with no objective evidence that an impairment loss has been incurred, those assets shall be collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is recognized and measured as the difference between the loan or receivable's carrying amount and the present value of estimated future cash flows discounted at its original effective interest rates (excluding future credit losses that have not been incurred). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

(6) Derivative financial instruments

The Company and its subsidiaries enter into derivative financial instrument transactions such as forward foreign exchange, interest rate swap, cross-currency swap, option and futures to hedge its risks associated with interest rates and foreign currency fluctuations. These derivative financial instruments are initially recognized at fair value on the date of which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss for the period.

For the purpose of hedge accounting, hedges are classified as:

- A. Fair value hedges: to hedge the exposure to changes in the fair value of a recognized asset or liability.
- B. Cash flow hedges: to hedge the exposure to variability in cash flows that is both attributable to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction, and could affect profit or loss.
- C. Hedge of a net investment in a foreign operation: to hedge the exchange rate variability risk for a net investment in a foreign operation.

At the inception of a hedge relationship, the Company and its subsidiaries formally designate and document hedge relationship to which the Company and its subsidiaries wish to apply hedge accounting, the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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Hedges in compliance with hedge accounting requirements are accounted for as follows:

A. Fair value hedges

Fair value hedges are hedges of the Company's exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk which could impact profit or loss. The carrying amount of the fair value hedged item is adjusted for gains and losses attributable to the risk being hedged and the underlying derivative is remeasured at fair value. Gains or losses from both are recognized in profit or loss.

For fair value hedge relating to items carried at amortized cost, the adjustment to carrying value is amortized through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to profit or loss.

Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

The Company and its subsidiaries discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation.

Hedging instruments are subsequently measured at fair value and the gains (losses) resulting from the exchange rate changes are recognized in current period profit or loss in accordance with the ROC SFAS No.14 "Accounting for Foreign Currency Transactions and Translation of Foreign Financial Statements".

B. Cash flow hedges

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss.

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Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

C. Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instruments relating to the effective portion of the hedges are recognized directly in equity while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in equity is transferred to profit or loss.

(7) *Allowance for bad debts*

Allowance for bad debts on bills, bill purchased, acceptances, guarantees loans, delinquent accounts, receivables of credit card and other receivables are determined based on the aging analysis of outstanding balances of such accounts and past experience.

(8) *Investments under equity method*

Investments in equity securities are accounted for under the equity method where the Company owns more than 20% of the investee's voting stocks or the Company has significant influence over the investee company. The difference between the investment cost and the Company's share of net assets of the investee company was amortized. However, started from January 1, 2006, such difference is no longer amortized. Newly acquired difference is analyzed and accounted for in inconformity with the acquisition cost allocation as provided in ROC SFAS No.25 "Business Combination-Accounting Treatment under Purchase Method.", resulting goodwill is no longer amortized.

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If the investee company issues new shares and original shareholders do not purchase or acquire new shares proportionately, then the investment percentage and the equity in net assets of the investee that the Company has invested will be changed. Such difference shall be used to adjust both the capital surplus and the investment in the investee company accounted for under the equity method. If the adjustment stated above is to debit the capital surplus account and the book balance of capital surplus from long-term investments is not enough to be offset, the difference shall be debited to the retained earnings account.

Unrealized intercompany gains or losses are eliminated under the equity method. Gains or losses from sales of depreciable assets between the Company and its subsidiaries are amortized to profit or loss over the economic service life of the asset. Gains or losses from other types of intercompany transactions are recognized when realized.

(9) Investments in real estate

Investments in real estate are stated at cost when acquired. Improvements and major renovation of investments in real estate are capitalized, while repairs and maintenance are expensed immediately.

Upon disposal, the related cost, accumulated depreciation and accumulated impairment are eliminated and gains and losses are recorded in operating gains and losses accounts.

Depreciation is calculated using the straight-line method in accordance with the “Estimated Useful Life of Fixed Assets Table” published by the Executive Yuan of the ROC (the “Executive Yuan Depreciation Table”).

Real estate investment primarily is for commercial leasing purposes; rents can be paid annually, semi-annually, quarterly, monthly or in a lump sum.

(10) Property and equipment

Property and equipment are stated at cost or cost plus appreciation. When revaluing property and equipment, land and other properties shall be revalued separately. Property appreciation shall be recorded under “land revaluation adjustments” of shareholders’ equity.

Major improvements, additions, and renewals are capitalized, while repairs and maintenance are expensed when incurred.

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Upon the sale or disposal of properties and equipment, their cost, related accumulated depreciation and accumulated impairment are removed from respective accounts.

Depreciation is calculated using the straight-line method over the estimated service lives prescribed by the Executive Yuan Depreciation Table. Property and equipment that continue to be in use after reaching its originally estimated useful life are depreciated based on the residual value and the newly estimated remaining useful lives.

(11) Goodwill and intangible assets

A. Goodwill

Goodwill is recognized when the purchase price exceeds the fair value of identifiable net assets acquired in a business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

B. Intangible assets

The Company and its subsidiaries adopted the ROC SFAS No. 37 “Accounting for Intangible Assets” on January 1, 2007. Intangible assets are initially recognized at cost except the intangible assets granted by government which are recognized at fair value. After the initial recognition, the intangible assets shall be carried at the costs plus statutory revaluation increment less accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets of the Company and its subsidiaries are deemed finite.

The amortization amounts of the intangible assets with finite useful lives are allocated on a systematic basis over their useful lives. Impairment testing is performed when there are indications of impairment on intangible assets with finite useful lives. The Company and its subsidiaries reevaluates the amortization periods and amortization methods for the intangible assets with finite useful lives at each balance sheet date and any resulting changes are treated as changes in accounting estimates.

The intangible assets of the Company and its subsidiaries are computer software and are amortized over the estimated useful lives of three to five years using the straight-line method.

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(12) Non-financial assets impairment

Pursuant to ROC SFAS No. 35, “Accounting for Asset Impairment” the Company and its subsidiaries assess indicators of impairment for all its assets within the scope of ROC SFAS No. 35 on each balance sheet date. If impairment indications exist, the Company and its subsidiaries shall then compare the carrying amount with the recoverable amount of the assets or the cash-generating unit (“CGU”) and write down the carrying amount to the recoverable amount where applicable. Recoverable amount is defined as the higher of fair values less costs to sell and the values in use.

For previously recognized impairment losses, the Company and its subsidiaries shall assess, at each balance sheet date, whether there is any indication that the impairment loss may no longer exist or may have decreased. If there is any such indication, the Company and its subsidiaries have to recalculate the recoverable amount of the asset. If the recoverable amount increases as a result of the increase in the estimated service potential of the assets, the Company and its subsidiaries shall reverse the impairment loss to the extent that the carrying amount after the reversal would not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the assets in prior years.

In addition, a goodwill-allocated CGU or group of CGUs is tested for impairment at the same day of each year, regardless of whether an impairment indicator exists. Any impairment loss is recognized by reducing the carrying amount of the assets of the CGU or the group of CGUs in the following order:

- A. First, to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs.
- B. If the goodwill has been written off, to reduce the other assets of the CGU or group of CGUs pro rata to their carrying amount.

The write-down in goodwill cannot be reversed under any circumstances in subsequent periods.

(13) Real Estate Investment Trust (REIT)

Cathay Life has adopted “Accounting Treatment under Real Estate Securitization” issued by the Accounting Research and Development Foundation.

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Once the sales process is complete and the transferor has transferred his risk and ownership of the real estate property to the transferee, gain on disposal of real estate shall be recognized under “total amount accrual method”.

If the originator and its related parties do not participate in the initial offering but subsequently acquire the REIT beneficiary securities of less than 20% of its outstanding shares from the TSE at fair market value within nine months after the issue date, the transfer and purchase transaction are deemed two independent transactions due to the subsequent purchase transaction has no significant influence over the transfer transaction. However, if the originator and its related parties subsequently acquire the REIT beneficiary securities of over 20% of its outstanding shares within nine months after the issue date, the subsequently acquired portion is not deemed a sale and therefore gain or loss on disposal of real estate for the originator related to the subsequently acquired portion shall be deferred.

(14) Convertible bonds

Convertible bonds payable is calculated by fully issued price after reduced the amount of liability component which is evaluated individually is allocated to equity component (Additional Paid In Capital-stock warrants). The liability component of non-embedded derivative financial products is measured by its cost after being amortized with effective interest method. The liability component of Embedded derivative financial products (non-equity) is measured at its fair value. The fully issued price of bonds payable is allocated to liability and equity components in proportion with each originally recognized amount.

When the holders of convertible bonds ask to exercise the right of conversion prior to the due date, we should adjust the carrying amount of liability component to the carrying amount at transition date, and combine with the carrying amount of equity component to generate the recording base of issuing common stock, instead of recognizing transferring gain or loss.

(15) Reserve for operations and liabilities

The subsidiaries in banking, insurance and securities industries are required by the government to provide operating and loss reserves.

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(16) Treasury stock

The stock that the Company repurchases is recorded in the “treasury stock account”. The book value of the treasury stock is determined based on the reason of purchase and stock type (common or preferred stock) using the weighted average method. At the time of writing off treasury stock, the Company should debit common stock and capital surplus on stock issuance proportionally. As long as the book value of the retired treasury stock is higher than the sum of its par value and capital surplus on stock issuance, the excess should be debited to other capital surplus or retained earnings when capital surplus-treasury stock is insufficient. When the book value of the retired treasury stock is lower than the sum of its par value and capital surplus on stock issuance, the difference is credited to capital surplus-treasury stock.

According to the Ministry of Finance-Securities and Future Commission (91) article 108164:

- A. In accordance with Article 38 of the Financial Holding Company Act which provides strict prohibitions on cross-holdings, all the prior share buybacks conducted by listed or over-the-counter traded financial institutions (in accordance with Article 28-2 of Securities Exchange Act), upon the conversion of such institutions into wholly-owned subsidiaries of a financial holding company, must be converted into treasury shares of the financial holding company to be held by such subsidiaries for a period of no more than three years. If such subsidiaries fail to dispose such treasury shares within this period, those shares will be deemed as un-issued share capital of the financial holding company and shall be cancelled accordingly.
- B. Treasury shares of a financial holding company held by its subsidiaries as described above are also treated as their own treasury shares and therefore such subsidiaries may not exercise shareholders rights with respect to those stocks in accordance with Article 28-2 of the Securities Exchange Act.

According to the Securities and Futures Commission (91) article 111467, shares previously bought back by listed or over-the-counter traded financial institutions (in accordance with Article 28-2 of Securities Exchange Act), upon conversion of the institutions into wholly-owned subsidiaries of a financial holding company and the conversion of such shares into treasury shares of the financial holding company, must be treated by such subsidiaries as their own treasury shares and a deduction of shareholders’ equity and must be treated as treasury shares of the financial holding company. If the financial institutions hold shares of other financial institutions whose shares are also converted into the shares of the same financial holding company, the principle of equity investment shall apply. The Company follows ROC SFAS NO.30 “Accounting for Treasury Stocks” and treats shares held by its subsidiaries as treasury stock in its financial statements.

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(17) Recognition of interest income and handling fees

Interest income is recognized on an accrual basis except for loans classified as delinquent accounts. The accrual of income from delinquent accounts is discontinued; subsequent interest payments are credited to income when received. Handling fees are recognized on an accrual basis.

(18) Insurance premiums income and expenses

Direct premiums are recorded as income at the time of cash receipts. Related expenses (commissions, brokerage fees, etc.) are recognized on an accrual basis.

Reinsurance premiums and reinsurance commission expenses are recognized upon the assumption of reinsurance. Claim expenses for assumed reinsurance policies are recognized upon notification that claim payments are due. Adjustments are made at year-end based on past experience.

(19) Pension plan

The Labor Pension Act of ROC (“the Act”), which adopts a defined contribution scheme, takes effect from July 1, 2005. In accordance with the Act, employees of the Company may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or the pension mechanism under the Labor Standards Act. For employees choosing the pension scheme under the Act, the Company shall make monthly contributions to individual pension accounts on a basis no less than 6% of the employees’ monthly wages.

In compliance with SFC regulations, the Company and its subsidiaries follow the ROC SFAS No. 18, “Accounting for Pensions”. When providing defined benefit plans, an actuarial valuation of pension liability is performed on the balance sheet date, and a minimum pension liability is recorded in the financial statements based on the difference between the accumulated benefit obligation and the fair value of plan assets; when providing defined contribution plans, an enterprise should recognize the amounts to be contributed as current expense over the employee’s employment period.

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(20) Foreign currency transactions

A. Translation of foreign currency transactions

Monetary assets or liabilities denominated in foreign currencies shall be translated using the applicable rate at each balance sheet date and exchange differences shall be recognized in profit or loss for the period. Non-monetary assets or liabilities denominated in foreign currencies that are measured at fair value shall be translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary asset or liability measured at fair value is recognized directly in equity, any exchange component of that gain or loss shall be recognized in equity. Conversely, when a gain or loss on a non-monetary item measured at fair value is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. Non-monetary assets or liabilities denominated in foreign currencies that are measured in terms of historical cost shall be translated using the exchange rate at the date of the transaction.

B. Translation of foreign subsidiaries' financial statements

Financial statements of foreign subsidiaries under the equity method are translated into NT dollars on the following basis: all assets and liabilities denominated in foreign currencies are translated into NT dollars at the exchange rate prevailing on the balance sheet date. Shareholders' equity items are translated based on the historical rates except for the opening balance of retained earnings, which is the translated amount from prior period carried forward. Income statement items are translated using a weighted-average exchange rate of the fiscal year. Differences arising from above translation are recorded under cumulative translation adjustments under shareholders' equity.

(21) Income taxes

The Company adopted ROC SFAS No. 22, "Accounting for Income Taxes", which requires inter-period and intra-period tax allocations in addition to computing current period income tax payable. Deferred income tax liabilities are recognized for taxable temporary differences; while deferred income tax assets are recognized for deductible temporary differences, tax losses and investment tax credits. An allowance is provided based on an assessment of the reliability of deferred tax assets. Adjustment of prior years' income tax payable is included in the current period income tax expense.

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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.

The Company adopted ROC SFAS No. 12, "Accounting for Income Tax Credits," for income tax deductions. The income tax deductions resulting from the expenditure on the purchase of equipment, research and development, education, training and investment in equity are accounted for under the current period recognition method.

The additional 10% income tax imposed on undistributed earnings is recognized as expenses on the date when the shareholders resolve that the earnings shall be retained.

Effective from January 1, 2006, the Company and its subsidiaries have considered the impact of the "Alternative Minimum Tax Act" to estimate their income tax liabilities.

(22) Capital expenditure

Capital expenditure is capitalized and amortized over its useful life if it involves a significant amount and may generate revenues in future periods. Otherwise, it is expensed in the year as incurred.

(23) Employee bonus and remuneration of directors

Pursuant to Article No.52 issued by the Accounting Research and Development Foundation in March 2007, employee bonus and remuneration of directors are accounted for as expenses and not distribution of earnings.

(24) Operating segment information

An operating segment is a component of an entity that has the following characteristics: (1) engaging in business activities from which it may earn revenues and incur expenses, (2) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (3) for which discrete financial information is available.

(25) The interim financial statement

The interim financial statements are prepared according to the ROC SFAS No.23, "Interim Financial Reporting and Disclosures".

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(26) Translation to U.S. dollars

The Company's consolidated financial statement are stated in NT dollars. Translation of the December 31, 2012 and 2011 NT dollar amounts into US dollar amounts are provided solely for the convenience of the readers. The noon buying rate of NT\$29.05 and NT\$30.27 to US\$1.00 on December 31, 2012 and 2011, respectively, were provided by Federal Reserve Bank of New York. The translation amounts are unrelieved. Such currency transition should not be construed as representations that the NT dollar amount have been, could have been, or could in the future be, converted in to US dollars at this rate or any other rate of exchange.

3. Change in accounting and its effects

- (1) Effective from January 1, 2011, the Company and its subsidiaries adopted the third revision of the SFAS No.34 "Financial Instruments: Recognition and Measurement". This change in accounting principles has no significant impact on net income or earnings per share for the year ended December 31, 2011.
- (2) Effective January 1, 2011, the Company and its subsidiaries adopted SFAS No.41, "Operating Segments", to present operating segment information. The new SFAS No.41 replaces SFAS No.20, "Segment Reporting".
- (3) Insurance subsidiaries apply SFAS No.40 "Financial Accounting Standard on Insurance Contract" and "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises" issued on December 30, 2009 according to FSC Insurance Interpretation No. 09802506492 from January 1, 2011. The change in accounting principle has no significant effect on the income or earnings per share for the year of 2011.

4. Cash and cash equivalents

	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Petty cash and cash on hand	\$13,493,295	\$464,485	\$12,198,819	\$403,000
Cash in banks	67,388,184	2,319,731	78,141,312	2,581,477
Time deposits	572,813,996	19,718,210	599,968,048	19,820,550
Cash equivalents	22,185,867	763,713	5,616,951	185,562
Checks for clearance	8,326,316	286,620	8,641,570	285,483
Due from commercial banks	18,195,718	626,359	22,182,701	732,828
Total	<u>\$702,403,376</u>	<u>\$24,179,118</u>	<u>\$726,749,401</u>	<u>\$24,008,900</u>

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As of December 31, 2012 and 2011, the amounts of time deposits with maturities beyond one year were NT\$18,879,381 (US\$649,893) thousands and NT\$4,995,000 (US\$165,015) thousands, respectively.

5. Financial assets at fair value through profit or loss

	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Common stock	\$14,311,243	\$492,642	\$9,438,440	\$311,808
Beneficiary certificates	35,688,503	1,228,520	31,159,640	1,029,390
Exchange traded funds	999,111	34,393	1,869,134	61,749
Corporate bonds	2,967,573	102,154	2,147,354	70,940
Government bonds	4,641,252	159,768	2,616,279	86,432
Treasury bills	29,096,621	1,001,605	14,859,330	490,893
Structured time deposits	18,600,000	640,275	11,000,000	363,396
Commercial papers and certificate of deposit	30,057,822	1,034,692	10,019	331
Margin for futures trading-own funds	-	-	44,197	1,460
Derivative financial instruments	522,151	17,974	385,791	12,745
Overseas financial instruments	1,667,935	57,416	3,920,965	129,533
Valuation adjustment	8,592,839	295,795	7,246,275	239,388
Total	<u>\$147,145,050</u>	<u>\$5,065,234</u>	<u>\$84,697,424</u>	<u>\$2,798,065</u>

- (1) As of December 31, 2012, certain financial assets at fair value through profit or loss was sold under repurchase agreements with notional amounts of NT\$2,950,500 (US\$101,566) thousands. Such repurchase agreements amounting to NT\$3,252,317 (US\$111,956) thousands was recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to December 31, 2012 was settled at NT\$3,255,003 (US\$112,048) thousands prior to March 31, 2013.
- (2) Please refer to Note 29 for related information on the above financial assets at fair value through profit or loss being pledged as collaterals as of December 31, 2012 and 2011.

6. Loans-net

	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Inward-outward documentary bills	\$1,764,969	\$60,756	\$355,418	\$11,742
Loans	1,528,758,257	52,625,069	1,498,068,492	49,490,205
Overdrafts	594,231	20,456	497,530	16,436
Delinquent accounts	3,973,372	136,777	3,305,219	109,191
Subtotal	1,535,090,829	52,843,058	1,502,226,659	49,627,574
Adjustment for discounts and premiums	1,097,491	37,779	866,690	28,632
Less: Allowance for bad debts	(16,183,267)	(557,083)	(11,017,947)	(363,989)
Total	<u>\$1,520,005,053</u>	<u>\$52,323,754</u>	<u>\$1,492,075,402</u>	<u>\$49,292,217</u>

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7. Available-for-sale financial assets-net

	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Common stock	\$221,242,107	\$7,615,907	\$222,412,389	\$7,347,618
Beneficiary certificates	4,681,725	161,161	3,483,376	115,077
Exchange traded funds	7,228,313	248,823	7,067,933	233,496
Collateralized loans obligation and collateralized bonds obligation	7,128,861	245,400	9,997,863	330,289
Government bonds	212,828,175	7,326,271	185,410,287	6,125,216
Corporate bonds	69,980,542	2,408,969	64,235,350	2,122,080
Financial debentures	198,061,710	6,817,959	192,324,937	6,353,648
Overseas financial instruments	521,615,977	17,955,799	633,467,061	20,927,224
Real estate investment trust beneficiary	7,962,682	274,103	9,127,429	301,534
Accumulated impairments	(735,000)	(25,301)	(735,000)	(24,281)
Valuation adjustment	34,925,773	1,202,264	9,788,267	323,365
Total	<u>\$1,284,920,865</u>	<u>\$44,231,355</u>	<u>\$1,336,579,892</u>	<u>\$44,155,266</u>

- (1) As of December 31, 2012 and 2011, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT\$15,936,600 (US\$548,592) thousands and NT\$13,088,400 (US\$432,389) thousands, respectively. Such repurchase agreements amounting to NT\$17,116,932 (US\$589,223) thousands and NT\$13,546,462 (US\$447,521) thousands, respectively, were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to December 31, 2012 and 2011 are settled at NT\$17,125,290 (US\$589,511) thousands and NT\$13,557,277 (US\$447,878) thousands, prior to June 30, 2013 and March 31, 2012, respectively.
- (2) An impairment provision is recognized as some objective evidences are identified showing impairment indicators associated with collateralized loans obligation held by Cathay Life. As of December 31, 2012 and 2011, Cathay Life recognized impairment losses amounting to NT\$735,000 (US\$25,301) thousands and NT\$735,000 (US\$24,281) thousands, respectively. Cathay Life had reclassified held to maturity financial assets to available-for-sale financial assets in the ended of 2011. Please refer to Note 8 for the reclassification of held-to-maturity financial asset information.
- (3) Please refer to Note 29 for related information on the above available-for-sale financial assets being pledged as collaterals as of December 31, 2012 and 2011.

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8. Held-to-maturity financial assets-net

	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Government bonds	\$962,740	\$33,141	\$1,275,423	\$42,135
Financial debentures	200,000	6,885	200,000	6,607
Overseas financial instruments	23,218,245	799,251	20,480,142	676,582
Total	<u>\$24,380,985</u>	<u>\$839,277</u>	<u>\$21,955,565</u>	<u>\$725,324</u>

- (1) Cathay Life in response to the increase in the financial market fluctuation and downgrade of the sovereign rating in the recent days, the requirement for investment operating flexibility is increased and it leads to the relevant investment exposures need to be adjusted for a quick response to the market and credit outlook changes. Nevertheless, the investment intention for held-to-maturity financial assets has been changed. In accordance with the R.O.C SFAS No.34 "Financial Instruments: Recognition and Measurement," held-to-maturity financial assets NT\$ 590,598,621 (US\$19,511,022) thousands are reclassified to available-for-sale financial assets measured at fair value on December 31, 2011.
- (2) Please refer to Note 29 for related information on the above held-to-maturity financial assets being pledged as collaterals as of December 31, 2012 and 2011.

9. Investments under equity method

Investee	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Securities Investment Consulting	\$170,659	\$5,875	\$161,913	\$5,349
Seaward Card	39,752	1,368	39,202	1,295
Cathay Insurance (Bermuda)	101,761	3,503	126,730	4,187
WK Technology Fund VI Co., Ltd	279,441	9,619	336,538	11,118
Vista Technology Venture Capital Corp.	10,533	362	38,265	1,264
Omnitek Venture Capital Corp.	31,694	1,091	63,705	2,104
Taiwan Real-estate Management Corp.	105,357	3,627	98,115	3,241
Taiwan Finance Corp.	1,418,699	48,836	1,405,308	46,426
IBT Venture Capital Corp.	56,435	1,943	77,733	2,568
Cathay Conning Asset Management Ltd.	21,543	742	-	-
Subtotal	<u>2,235,874</u>	<u>76,966</u>	<u>2,347,509</u>	<u>77,552</u>
Prepayment for investment-Cathay Conning Assets Management Ltd.	-	-	29,882	987
Less: Unrealized gain from intercompany transactions	<u>(1,089,548)</u>	<u>(37,506)</u>	<u>(1,089,548)</u>	<u>(35,994)</u>
Total	<u>\$1,146,326</u>	<u>\$39,460</u>	<u>\$1,287,843</u>	<u>\$42,545</u>

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10. Other financial assets-net

	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Derivative financial assets for hedging	\$2,362,366	\$81,321	\$3,425,140	\$113,153
Financial assets carried at cost	16,744,794	576,413	16,542,000	546,482
Structured time deposits	23,500,000	808,950	13,300,000	439,379
Customer's margin accounts	595,088	20,485	227,773	7,525
Other miscellaneous financial assets	250,715	8,630	371,664	12,277
Accumulated impairment	(1,365,670)	(47,011)	(1,280,190)	(42,292)
Total	<u>\$42,087,293</u>	<u>\$1,448,788</u>	<u>\$32,586,387</u>	<u>\$1,076,524</u>

- (1) As of December 31, 2012 and 2011, Cathay Life recognized impairment losses amounting to NT\$924,434 (US\$31,822) thousands and NT\$894,058 (US\$29,536) thousands, respectively, due to the existence of objective impairment evidence of its investees.
- (2) Cathay United Bank has recognized accumulated impairment loss for the equity instruments in the amount of NT\$441,236 (US\$15,189) thousands and NT\$386,132 (US\$12,756) thousands as of December 31, 2012 and 2011, respectively. Due to the existence of objective impairment evidence.

11. Investments in debt securities with no active market

	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Preferred stocks	\$8,481,017	\$291,946	\$3,091,730	\$102,138
Corporate bonds	23,045,586	793,308	16,095,586	531,734
Overseas financial instruments	783,267,255	26,962,728	511,732,752	16,905,608
Subtotal	814,793,858	28,047,982	530,920,068	17,539,480
Less: accumulated impairment	(1,652,501)	(56,885)	(1,941,354)	(64,134)
Net balance	<u>\$813,141,357</u>	<u>\$27,991,097</u>	<u>\$528,978,714</u>	<u>\$17,475,346</u>

- (1) A CDO impairment is recognized as objective impairment evidence exists for some overseas bonds held by Cathay Life. As of December 31, 2012 and 2011, Cathay Life recognized impairment losses amounting to NT\$378,768 (US\$13,039) thousands and NT\$393,770 (US\$13,009) thousands, respectively.
- (2) Cathay United Bank recognized impairment losses amounting NT\$1,167,518 (US\$40,190) thousands and NT\$1,425,790 (US\$47,102) thousands as of December 31, 2012 and 2011, respectively, due to the credit deterioration of certain securitization and financial debentures.

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Cathay United Bank recognized impairment losses amounting NT\$106,215 (US\$3,656) thousands and NT\$121,794 (US\$4,023) thousands as of December 31, 2012 and 2011, respectively, due to the default on certain conversable bonds.

- (3) Please refer to Note 29 for related information on the above investments in debt securities with no active market being pledged as collaterals as of December 31, 2012 and 2011.

12. Investments in real estate

December 31, 2012										
Item	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Investments in										
real estate	\$178,567,661	\$6,146,907	\$4,329	\$149	\$(23,901,456)	\$(822,769)	\$(140,701)	\$(4,844)	\$154,529,833	\$5,319,443
Construction	7,519,477	258,846	-	-	-	-	-	-	7,519,477	258,846
Prepayments										
for building										
and land	1,581,767	54,450	-	-	-	-	-	-	1,581,767	54,450
Lease	263,880	9,084	-	-	(7,516)	(259)	-	-	256,364	8,825
Total	<u>\$187,932,785</u>	<u>\$6,469,287</u>	<u>\$4,329</u>	<u>\$149</u>	<u>\$(23,908,972)</u>	<u>\$(823,028)</u>	<u>\$(140,701)</u>	<u>\$(4,844)</u>	<u>\$163,887,441</u>	<u>\$5,641,564</u>
December 31, 2011										
Item	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Investments in										
real estate	\$162,931,160	\$5,382,595	\$4,329	\$143	\$(22,357,900)	\$(738,616)	\$(140,701)	\$(4,648)	\$140,436,888	\$4,639,474
Construction	5,459,223	180,351	-	-	-	-	-	-	5,459,223	180,351
Prepayments										
for building										
and land	20,469	676	-	-	-	-	-	-	20,469	676
Lease	263,880	8,718	-	-	(6,978)	(230)	-	-	256,902	8,488
Total	<u>\$168,674,732</u>	<u>\$5,572,340</u>	<u>\$4,329</u>	<u>\$143</u>	<u>\$(22,364,878)</u>	<u>\$(738,846)</u>	<u>\$(140,701)</u>	<u>\$(4,648)</u>	<u>\$146,173,482</u>	<u>\$4,828,989</u>

- (1) The real estate investments are held mainly for lease business.

- (2) All the lease agreements of the Company's lease business are operating leases. The primary terms of lease agreements are the same with general lease agreement.

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

(4) No investments in real estate were pledged as collaterals as of December 31, 2012 and 2011.

13. Goodwill and intangible assets-net

Item	January 1, 2012		Increase		Decrease		December 31, 2012	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$8,263,272	\$284,450	\$307,980	\$10,602	\$-	-	\$8,571,252	\$295,052
Computer software	3,498,841	120,442	196,773	6,774	(142,062)	(4,890)	3,553,552	122,326
Land use right	369,220	12,709	-	-	(14,066)	(484)	355,154	12,225
Subtotal	12,131,333	417,601	504,753	17,376	(156,128)	(5,374)	12,479,958	429,603
Amortization and impairment								
Amortized	(2,438,436)	(83,939)	(444,886)	(15,315)	137,740	4,741	(2,745,582)	(94,513)
Book value	<u>\$9,692,897</u>	<u>\$333,662</u>	<u>\$59,867</u>	<u>\$2,061</u>	<u>\$(18,388)</u>	<u>\$(633)</u>	<u>\$9,734,376</u>	<u>\$335,090</u>

Item	January 1, 2011		Increase		Decrease		December 31, 2011	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$6,673,084	\$220,452	\$1,590,188	\$52,534	\$-	\$-	\$8,263,272	\$272,986
Computer software	3,490,029	115,297	288,322	9,525	(279,510)	(9,234)	3,498,841	115,588
Land use right	355,081	11,730	14,139	467	-	-	369,220	12,197
Subtotal	10,518,194	347,479	1,892,649	62,526	(279,510)	(9,234)	12,131,333	400,771
Amortization and impairment								
Amortized	(2,127,373)	(70,280)	(463,545)	(15,314)	152,482	5,038	(2,438,436)	(80,556)
Book value	<u>\$8,390,821</u>	<u>\$277,199</u>	<u>\$1,429,104</u>	<u>\$47,212</u>	<u>\$(127,028)</u>	<u>\$(4,196)</u>	<u>\$9,692,897</u>	<u>\$320,215</u>

The intangible assets of computer software are amortized using the straight-line method over the estimated useful lives of three to five years.

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14. Commercial paper payables

	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Commercial paper payable	\$5,540,000	\$190,706	\$8,720,000	\$288,074
Less: Discount on commercial paper payable	-	-	-	-
Total	<u>\$5,540,000</u>	<u>\$190,706</u>	<u>\$8,720,000</u>	<u>\$288,074</u>

For the year ended December 31, 2012 and 2011, the average interest rates for the commercial paper payables were 0.74%~0.93% and 0.47 %~ 0.938 %, respectively.

15. Financial liabilities at fair value through profit or loss

	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Derivative financial instruments	\$868,607	\$29,900	\$303,981	\$10,042
Security lending payables hedging	284,579	9,796	399,868	13,210
Security lending payables non-hedging	1,164,536	40,087	958,256	31,657
Valuation adjustment	6,400,980	220,344	21,474,038	709,417
Total	<u>\$8,718,702</u>	<u>\$300,127</u>	<u>\$23,136,143</u>	<u>\$764,326</u>

- (1) On July 8 and July 15, 2004, Cathay United Bank issued five-year to seven-year dominant financial debentures amounting to NT\$1,000,000 (US\$34,423) thousands, NT\$3,500,000 (US\$120,482) thousands, NT\$2,000,000 (US\$68,847) thousands, and NT\$1,000,000 (US\$34,423) thousands, respectively, with floating interest rates, inverse floating interest rates or specific structure rates. These dominant financial debentures are repaid at maturity, and the interest is paid quarterly or semi-annually. On November 10, November 25, November 26, December 9, December 10, December 22, December 23 and December 29, 2004, and on January 14 and February 22, 2005, Cathay United Bank issued five-year to seven-year dominant financial debentures amounting to NT\$2,500,000 (US\$86,059) thousands, NT\$1,500,000 (US\$51,635) thousands, NT\$1,500,000 (US\$51,635) thousands, NT\$2,500,000 (US\$86,059) thousands, NT\$1,500,000 (US\$51,635) thousands, NT\$2,500,000 (US\$86,059) thousands, NT\$1,000,000 (US\$34,423) thousands and NT\$1,000,000 (US\$34,423) thousands, NT\$2,000,000 (US\$68,847) thousands, NT\$1,500,000 (US\$51,635) thousands, respectively, with fixed interest rates. These dominant financial debentures are repaid at maturity and the interests are paid quarterly. These dominant financial debentures are matured before December 31, 2011.

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- (2) These dominant financial debentures are senior in priority to the subordinated financial debentures and common shares, but are equal to other debts of Cathay United Bank.

16. Deposits

	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Check deposits	\$15,960,965	\$549,431	\$14,256,906	\$470,991
Demand deposits	250,331,641	8,617,268	224,538,902	7,417,869
Demand savings deposits	576,919,684	19,859,542	559,952,874	18,498,609
Time deposits	613,815,928	21,129,636	615,086,850	20,320,015
Remittances	1,559,758	53,692	586,296	19,369
Total	<u>\$1,458,587,976</u>	<u>\$50,209,569</u>	<u>\$1,414,421,828</u>	<u>\$46,726,853</u>

17. Bonds payable

	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Subordinated bonds payable-net	\$40,000,000	\$1,376,936	\$40,000,000	\$1,321,440
Convertible bonds	7,412,199	255,153	-	-
Subordinated financial debentures	41,438,544	1,426,456	34,724,925	1,147,173
Discount in financial debentures	(23,666)	(815)	(32,218)	(1,064)
Discount in convertible bonds	(99,823)	(3,436)	-	-
Valuation adjustment	1,103,753	37,995	1,331,118	43,975
Total	<u>\$89,831,007</u>	<u>\$3,092,289</u>	<u>\$76,023,825</u>	<u>\$2,511,524</u>

- (1) To strengthen the financial structure, with the approval (No.1010016452) of financial supervisory commission, the Company issued the secondary Euro-Convertible bonds at Singapore Exchange Limited. The following are the main clauses of issuance:

A. The total amount of issuance: US\$254,400 thousand.

B. The amount of par-value and the price of issuance: each par-value is US\$200, issued by fully par-value.

C. Coupon rate: The annual interest rate is zero percentage.

D. The period of outstanding: From August 14, 2012 to August 14, 2014.

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E. The method of redemption :

- (a) From August 15, 2013 to the due date, if the closing price, transferred into US currency at certain exchange rate, of common stock issued at Taiwan Stock Exchange Corporation over 120% of the amount generated from the amount of call provision divided by ratio of conversion (the ratio after par value of bonds payable is divided by price conversion at that date) within contiguous 20 operating days; The Company are entitled to notify the holders of bonds payable that the Company will fully redeem the bonds payable, partly redemption is not allowed, by the par value, plus the interest calculated by annual rate(0.25%).
- (b) The company is entitled to redeem all of the bonds payable with the price of call provision when the value of redemption or cancellation prior to due date is over ninety percent of bonds payable.
- (c) The company is entitled to redeem all of the bonds payable with the price of call provision, if our cost rises up due to the change of R.O.C Taxes.
- (d) The holders of the bonds payable are able to ask the Company to redeem fully or partly of bonds payable with the price of call provision, if the Company's common stock issued at Taiwan Stock Exchange Corporation is delisting or is prohibited to trade in market continuously thirty days or more.
- (e) The holders of the bonds payable are able to ask the Company to redeem fully or partly of bonds payable with the price of call provision, if the change of controlling right specified in the entrusted contract.

F. The redemption at the due date: Unless prior to due date, the Company redeem bonds payable by par-value adding to annual interest rate, point twenty five percentage of rate of return.

- (a) The situation that the holders of bonds payable or the Company exercise the right of conversion.
- (b) The holders of bonds payable already executed the conversion of bonds payable.
- (c) The Company redeemed or repurchased and retired our outstanding bonds payable.

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G. The treatment of conversion:

- (a) Objective of conversion: Common stock of the Company
- (b) The period of conversion: The holders of bonds payable are able to convert bonds payable into issued common stock from September 24, 2012 to August 4, 2014.
- (c) The price of conversion was set to NT\$38.10 per share. The exchange rate used when conversion is 1:29.938. The conversing price is adjusted by the formula specified in issuance treatment, if events identified in clause of issuance occurred related to the Company's common stock.

The Company separated the amount of bonds payable into the right of conversion and liability component when issued convertible bonds payable based on ROC GAAP No.36. The carrying amount of Additional-Paid-In-Capital-stock warrants is NT\$87,973 (US\$3,028) thousands (already reduced allocated amount of cost of issuance (NT\$455 (US\$16) thousands)).

According to R.O.C GAAP No.34" Financial Instruments: Recognition and Measurement" and No.36" Financial Instruments: Disclosure and Presentation", the secondary Euro-Convertible bonds issued by the Company recognized the discount amortization expense of bonds payable which is NT\$23,352 (US\$804) thousands in the year, 2012. The loss on valuation of financial liabilities is recorded as NT\$182,862 (US\$6,295) thousands, which is separately recorded under items between "Interest Expense" and "Loss on valuation of trading financial assets".

Until December 31, 2012, none of holder of bonds payable exercised the right of conversion.

- (2) Cathay United Bank issued a 15-year US\$500,000 thousands subordinated financial debenture with a stated interest rate of 5.5% on October 5, 2005, and the interest is payable semiannually. Cathay United Bank can redeem the bond after 10 years by exercising the call option. Cathay United Bank has adopted hedge accounting to account for its subordinated financial debentures. Cathay United Bank has bought back the bonds amounting to US\$172,620 thousands on May 12, 2009.
- (3) Cathay United Bank issued a ten-year subordinated financial debenture totaling NT\$5,600,000 (US\$192,771) thousands with a stated interest rate of 1.65% in August 2011, and the interest is payable quarterly.

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- (4) Cathay United Bank issued a ten-year subordinated financial debenture totaling NT\$4,200,000 (US\$144,578) thousands with a stated interest rate of 1.65% in June 2011, and the interest is payable annually.
- (5) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$200,000 (US\$6,885) thousands with a stated interest rate of 1.48% in June 2011, and the interest is payable annually.
- (6) Cathay United Bank issued a ten-year subordinated financial debenture totaling NT\$2,500,000 (US\$86,059) thousands with a stated interest rate of 1.72% in June 2011, and the interest is payable quarterly.
- (7) Cathay United Bank issued a seven-year subordinated financial debenture totaling NT\$3,900,000 (US\$134,251) thousands with a stated interest rate of 1.65% in June 2011, and the interest is payable quarterly.
- (8) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$1,500,000 (US\$51,635) thousands with a stated interest rate of 1.72% in March 2011, and the interest is payable quarterly.
- (9) Cathay United Bank issued a seven-year subordinated financial debenture totaling NT\$3,850,000 (US\$132,530) thousands with a stated interest rate of 1.65% in March 2011, and the interest is payable quarterly.
- (10) On September 16, 2009, the Company issued a seven-year subordinated bond totaling NT\$20,000,000 (US\$688,468) thousands with a stated interest rate of 2.65%. The subordinated bonds and repayable at maturity and the interest is payable annually.
- (11) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$1,500,000 (US\$51,635) thousands with a stated interest rate of 2.60% in July 2009, and the interest is payable quarterly.
- (12) Cathay United Bank issued an eight-year subordinated financial debenture totaling NT\$3,650,000 (US\$125,645) thousands with a stated interest rate of 2.42% in June 2009, and the interest is payable quarterly.
- (13) On December 8, 2008, the Company issued a seven-year subordinated bond totaling NT\$20,000,000 (US\$688,468) thousands with a stated interest rate of 3.10%. The subordinated bonds and repayable at maturity and the interest is payable annually.

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- (14) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$2,800,000 (US\$96,386) thousands with a stated interest rate of 2.95% in October 2008 and the interest is payable quarterly.
- (15) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$1,000,000 (US\$34,423) thousands with a floating interest rate in September 2008 and the interest is payable quarterly.
- (16) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$1,200,000 (US\$41,308) thousands with a stated interest rate of 2.95% in September 2008 and the interest is payable quarterly.
- (17) Each subordinated financial debentures 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, more senior to common stock.
- (18) Indovina Bank issued a two-year subordinated financial debentures totaling VND\$2,000,000,000 thousands in 2010 with the first year interest rate of 13.50% and the second year interest rate of average interest rate of VND deposit plus 2.50%.

18. Other financial liabilities

	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Borrowed funds	\$85,500	\$2,943	\$135,518	\$4,477
Principle received from the sale of structured products	17,340,691	596,926	10,475,555	346,070
Total	<u>\$17,426,191</u>	<u>\$599,869</u>	<u>\$10,611,073</u>	<u>\$350,547</u>

19. Reserve for operations and liabilities

	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Reserve for insurance business	\$3,117,652,064	\$107,320,209	\$2,822,602,471	\$93,247,521
Reserves for losses on guarantees	24,892	857	24,892	822
Total	<u>\$3,117,676,956</u>	<u>\$107,321,066</u>	<u>\$2,822,627,363</u>	<u>\$93,248,343</u>

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(1) Life insurance subsidiaries

A. Cathay Life

a. Reserve for life insurance liabilities:

	December 31, 2012			December 31, 2011		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$2,540,691,009	\$44,435,855	\$2,585,126,864	\$2,262,171,695	\$44,410,268	\$2,306,581,963
Injury insurance	7,888,169	-	7,888,169	7,663,561	-	7,663,561
Health insurance	270,513,728	-	270,513,728	228,602,480	-	228,602,480
Annuity insurance	1,226,217	124,300,017	125,526,234	1,468,242	149,221,880	150,690,122
Investment-linked insurance	1,059,809	-	1,059,809	1,217,774	-	1,217,774
Recover from major incident reserve	63,292	-	63,292	-	-	-
Total	<u>\$2,821,442,224</u>	<u>\$168,735,872</u>	<u>\$2,990,178,096</u>	<u>\$2,501,123,752</u>	<u>\$193,632,148</u>	<u>\$2,694,755,900</u>

	December 31, 2012			December 31, 2011		
	(US\$)			(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$87,459,243	\$1,529,634	\$88,988,877	\$74,733,125	\$1,467,138	\$76,200,263
Injury insurance	271,538	-	271,538	253,174	-	253,174
Health insurance	9,312,004	-	9,312,004	7,552,114	-	7,552,114
Annuity insurance	42,211	4,278,830	4,321,041	48,505	4,929,695	4,978,200
Investment-linked insurance	36,482	-	36,482	40,230	-	40,230
Recover from major incident reserve	2,179	-	2,179	-	-	-
Total	<u>\$97,123,657</u>	<u>\$5,808,464</u>	<u>\$102,932,121</u>	<u>\$82,627,148</u>	<u>\$6,396,833</u>	<u>\$89,023,981</u>

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Reserve for life insurance liabilities is summarized below:

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$2,501,123,752	\$193,632,148	\$2,694,755,900	\$2,254,981,751	\$241,995,513	\$2,496,977,264
Reserve	466,361,698	1,012,224	467,373,922	399,124,484	7,788,150	406,912,634
Recover	(140,671,956)	(25,790,701)	(166,462,657)	(156,150,107)	(56,357,179)	(212,507,286)
(Gains) losses on foreign exchange	(5,371,270)	(117,799)	(5,489,069)	3,167,624	205,664	3,373,288
Ending Balance	<u>\$2,821,442,224</u>	<u>\$168,735,872</u>	<u>\$2,990,178,096</u>	<u>\$2,501,123,752</u>	<u>\$193,632,148</u>	<u>\$2,694,755,900</u>

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(US\$)			(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	Feature	Total	Insurance contract	feature	Total
Beginning balance	\$86,097,203	\$6,665,479	\$92,762,682	\$74,495,598	\$7,994,566	\$82,490,164
Reserve	16,053,759	34,844	16,088,603	13,185,480	257,290	13,442,770
Recover	(4,842,408)	(887,804)	(5,730,212)	(5,158,576)	(1,861,817)	(7,020,393)
(Gains) losses on foreign exchange	(184,897)	(4,055)	(188,952)	104,646	6,794	111,440
Ending Balance	<u>\$97,123,657</u>	<u>\$5,808,464</u>	<u>\$102,932,121</u>	<u>\$82,627,148</u>	<u>\$6,396,833</u>	<u>\$89,023,981</u>

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b. Unearned premium reserve:

	December 31, 2012			December 31, 2011		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life						
insurance	\$286,321	\$-	\$286,321	\$209,502	\$4	\$209,506
Individual injury						
insurance	4,528,407	-	4,528,407	4,346,188	-	4,346,188
Individual health						
insurance	6,135,137	-	6,135,137	5,762,270	-	5,762,270
Group insurance	780,294	-	780,294	1,579,244	-	1,579,244
Investment-linked						
insurance	118,616	-	118,616	120,773	-	120,773
Total	11,848,775	-	11,848,775	12,017,977	4	12,017,981
Less ceded unearned premium reserve:						
Individual life						
insurance	3,686,613	-	3,686,613	2,513,030	-	2,513,030
Individual injury						
insurance	4,690,419	-	4,690,419	4,807,267	-	4,807,267
Group insurance	89	-	89	826	-	826
Investment-linked						
insurance	-	-	-	1,289,194	-	1,289,194
Total	8,377,121	-	8,377,121	8,610,317	-	8,610,317
Net	\$3,471,654	\$-	\$3,471,654	\$3,407,660	\$4	\$3,407,664

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	December 31, 2012			December 31, 2011		
	(US\$)			(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$9,856	\$-	\$9,856	\$6,921	\$-	\$6,921
Individual injury insurance	155,883	-	155,883	143,581	-	143,581
Individual health insurance	211,192	-	211,192	190,362	-	190,362
Group insurance	26,861	-	26,861	52,172	-	52,172
Investment-linked insurance	4,083	-	4,083	3,990	-	3,990
Total	407,875	-	407,875	397,026	-	397,026
Less ceded unearned premium reserve:						
Individual life insurance	126,906	-	126,906	83,021	-	83,021
Individual injury insurance	161,460	-	161,460	158,813	-	158,813
Group insurance	3	-	3	27	-	27
Investment-linked insurance	-	-	-	42,590	-	42,590
Total	288,369	-	288,369	284,451	-	284,451
Net	\$119,506	\$-	\$119,506	\$112,575	\$-	\$112,575

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Unearned premium reserve is summarized below:

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$12,017,977	\$4	\$12,017,981	\$11,743,204	\$2	\$11,743,206
Reserve	11,848,775	-	11,848,775	12,017,977	4	12,017,981
Recover	(12,017,977)	(4)	(12,017,981)	(11,743,204)	(2)	(11,743,206)
Ending Balance	11,848,775	-	11,848,775	12,017,977	4	12,017,981
Less ceded unearned premium reserve:						
Beginning balance-net	8,610,317	-	8,610,317	6,263,909	-	6,263,909
Increase	1,283	-	1,283	2,413,153	-	2,413,153
Decrease	(234,479)	-	(234,479)	(66,745)	-	(66,745)
Total	8,377,121	-	8,377,121	8,610,317	-	8,610,317
Ending Balance-Net	\$3,471,654	\$-	\$3,471,654	\$3,407,660	\$4	\$3,407,664

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(US\$)			(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$413,700	\$-	\$413,700	\$387,949	\$-	\$387,949
Reserve	407,875	-	407,875	397,026	-	397,026
Recover	(413,700)	-	(413,700)	(387,949)	-	(387,949)
Ending Balance	407,875	-	407,875	397,026	-	397,026
Less ceded unearned premium reserve:						
Beginning balance-net	296,396	-	296,396	206,935	-	206,935
Increase	44	-	44	79,721	-	79,721
Decrease	(8,071)	-	(8,071)	(2,205)	-	(2,205)
Total	288,369	-	288,369	284,451	-	284,451
Ending Balance-Net	\$119,506	\$-	\$119,506	\$112,575	\$-	\$112,575

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c. Reserve for claims:

	December 31, 2012			December 31, 2011		
	(NT\$)			(NT\$)		
	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	\$105,856	\$797	\$106,653	\$139,018	\$3,242	\$142,260
— Unreported claim	49,750	-	49,750	33,877	-	33,877
Individual injury insurance						
— Reported but not paid claim	147,062	-	147,062	192,822	-	192,822
— Unreported claim	1,024,487	-	1,024,487	789,273	-	789,273
Individual health insurance						
— Reported but not paid claim	124,100	-	124,100	116,876	-	116,876
— Unreported claim	1,535,223	-	1,535,223	1,321,690	-	1,321,690
Group insurance						
— Reported but not paid claim	36,141	-	36,141	18,972	-	18,972
— Unreported claim	1,124,644	-	1,124,644	1,252,450	-	1,252,450
Investment-linked insurance						
— Reported but not paid claim	4,210	-	4,210	10,510	-	10,510
Total	4,151,473	797	4,152,270	3,875,488	3,242	3,878,730
Less ceded reserve for claims:						
Individual injury insurance	780,831	-	780,831	549,591	-	549,591
Net	\$3,370,642	\$797	\$3,371,439	\$3,325,897	\$3,242	\$3,329,139

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	December 31, 2012			December 31, 2011		
	(US\$)			(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance						
— Reported but not paid claim	\$3,644	\$27	\$3,671	\$4,593	\$107	\$4,700
— Unreported claim	1,713	-	1,713	1,119	-	1,119
Individual injury insurance						
— Reported but not paid claim	5,062	-	5,062	6,370	-	6,370
— Unreported claim	35,266	-	35,266	26,075	-	26,075
Individual health insurance						
— Reported but not paid claim	4,272	-	4,272	3,861	-	3,861
— Unreported claim	52,848	-	52,848	43,663	-	43,663
Group insurance						
— Reported but not paid claim	1,244	-	1,244	627	-	627
— Unreported claim	38,714	-	38,714	41,376	-	41,376
Investment-linked insurance						
— Reported but not paid claim	145	-	145	347	-	347
Total	142,908	27	142,935	128,031	107	128,138
Less ceded reserve for claims:						
Individual injury insurance	26,879	-	26,879	18,156	-	18,156
Net	\$116,029	\$27	\$116,056	\$109,875	\$107	\$109,982

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Reserve for claims is summarized below:

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$3,875,488	\$3,242	\$3,878,730	\$3,444,087	\$211	\$3,444,298
Reserve	4,151,480	797	4,152,277	3,875,488	3,242	3,878,730
Recover	(3,875,488)	(3,242)	(3,878,730)	(3,444,087)	(211)	(3,444,298)
Gains on foreign exchange	(7)	-	(7)	-	-	-
Ending balance	4,151,473	797	4,152,270	3,875,488	3,242	3,878,730
Less ceded reserve for claims:						
Beginning balance-Net	549,591	-	549,591	497,707	-	497,707
Increase	231,240	-	231,240	51,884	-	51,884
Total	780,831	-	780,831	549,591	-	549,591
Net	\$3,370,642	\$797	\$3,371,439	\$3,325,897	\$3,242	\$3,329,139

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(US\$)			(US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$133,408	\$112	\$133,520	\$113,779	\$7	\$113,786
Reserve	142,908	27	142,935	128,031	107	128,138
Recover	(133,408)	(112)	(133,520)	(113,779)	(7)	(113,786)
Gains on foreign exchange	-	-	-	-	-	-
Ending balance	142,908	27	142,935	128,031	107	128,138
Less ceded reserve for claims:						
Beginning balance-Net	18,919	-	18,919	16,442	-	16,442
Increase	7,960	-	7,960	1,714	-	1,714
Total	26,879	-	26,879	18,156	-	18,156
Net	\$116,029	\$27	\$116,056	\$109,875	\$107	\$109,982

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d. Special reserve:

	December 31, 2012				December 31, 2011			
	(NT\$)				(NT\$)			
	Financial instruments with discretionary participation				Financial instruments with discretionary participation			
	Insurance contract	feature	Other	Total	Insurance contract	feature	Other	Total
Statutory special reserve :								
Individual life insurance	\$62,075	\$-	\$-	\$62,075	\$121,785	\$-	\$-	\$121,785
Individual injury insurance	1,102,231	-	-	1,102,231	2,336,788	-	-	2,336,788
Individual health insurance	1,829,374	-	-	1,829,374	3,728,497	-	-	3,728,497
Group insurance	1,384,203	-	-	1,384,203	2,835,742	-	-	2,835,742
Participating policies dividends reserve	1,971	-	-	1,971	227	-	-	227
Total	\$4,379,854	\$-	\$-	\$4,379,854	\$9,023,039	\$-	\$-	\$9,023,039

	December 31, 2012				December 31, 2011			
	(US\$)				(US\$)			
	Financial instruments with discretionary participation				Financial instruments with discretionary participation			
	Insurance contract	feature	Other	Total	Insurance contract	feature	Other	Total
Statutory special reserve :								
Individual life insurance	\$2,137	\$-	\$-	\$2,137	\$4,024	\$-	\$-	\$4,024
Individual injury insurance	37,943	-	-	37,943	77,198	-	-	77,198
Individual health insurance	62,973	-	-	62,973	123,174	-	-	123,174
Group insurance	47,649	-	-	47,649	93,682	-	-	93,682
Participating policies dividends reserve	68	-	-	68	7	-	-	7
Total	\$150,770	\$-	\$-	\$150,770	\$298,085	\$-	\$-	\$298,085

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Special reserve is summarized below:

	For the year ended December 31, 2012				For the year ended December 31, 2011			
	(NT\$)				(NT\$)			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	\$9,023,039	\$-	\$-	\$9,023,039	\$10,556,945	\$-	\$-	\$10,556,945
Reserves for major incidents over 15 years	(63,292)	-	-	(63,292)	(169,922)	-	-	(169,922)
Actual claims payment less offsets of reserves for major incidents exceed expected claims payment	(18,925)	-	-	(18,925)	(769,214)	-	-	(769,214)
Accumulated provision for special reserves for fluctuation of risks is more than 30 percent of the retained earned premium for the current year	(51,306)	-	-	(51,306)	(594,997)	-	-	(594,997)
Reserves for participating policies dividends reserve	2,065	-	-	2,065	1,401	-	-	1,401
Recovery from participating policies dividends reserve	(321)	-	-	(321)	(285)	-	-	(285)
Reserves dividends risk reserve	-	-	-	-	(889)	-	-	(889)
Reclassify to foreign exchange volatility reserve	(4,511,406)	-	-	(4,511,406)	-	-	-	-
Ending balance	\$4,379,854	\$-	\$-	\$4,379,854	\$9,023,039	\$-	\$-	\$9,023,039

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	For the year ended December 31, 2012				For the year ended December 31, 2011			
	(US\$)				(US\$)			
	Financial instruments with discretionary participation				Financial instruments with discretionary participation			
	Insurance contract	feature	Other	Total	Insurance contract	feature	Other	Total
Beginning balance	\$310,604	\$-	\$-	\$310,604	\$348,759	\$-	\$-	\$348,759
Reserves for major incidents over 15 years	(2,179)	-	-	(2,179)	(5,614)	-	-	(5,614)
Actual claims payment less offsets of reserves for major incidents exceed expected claims payment	(651)	-	-	(651)	(25,412)	-	-	(25,412)
Accumulated provision for special reserves for fluctuation of risks is more than 30 percent of the retained earned premium for the current year	(1,766)	-	-	(1,766)	(19,656)	-	-	(19,656)
Reserves for participating policies dividends reserve	71	-	-	71	46	-	-	46
Recovery from participating policies dividends reserve	(11)	-	-	(11)	-	-	-	-
Participating policies dividends reserve	-	-	-	-	(9)	-	-	(9)
Reserves dividends risk reserve	-	-	-	-	(29)	-	-	(29)
Reclassify to foreign exchange volatility reserve	(155,298)	\$-	\$-	(155,298)	-	-	-	-
Ending balance	\$150,770	\$	\$	\$150,770	\$298,085	\$-	\$-	\$298,085

e. Special surplus (Special reserves for major incidents and special reserve for fluctuation of risks) :

	December 31, 2012				December 31, 2011			
	(NT\$)				(NT\$)			
	Financial instruments with discretionary participation				Financial instruments with discretionary participation			
	Insurance contract	feature	Other	Total	Insurance contract	feature	Other	Total
Individual life insurance	\$27,650	\$-	\$-	\$27,650	\$19,462	\$-	\$-	\$19,462
Individual injury insurance	279,581	-	-	279,581	157,782	-	-	157,782
Individual health insurance	842,680	-	-	842,680	509,244	-	-	509,244
Group insurance	711,767	-	-	711,767	55,463	-	-	55,463
Total	\$1,861,678	\$-	\$-	\$1,861,678	\$741,951	\$-	\$-	\$741,951

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	December 31, 2012 (US\$)				December 31, 2011 (US\$)			
	Financial instruments with discretionary participation				Financial instruments with discretionary participation			
	Insurance contract	feature	Other	Total	Insurance contract	feature	Other	Total
Individual life insurance	\$952	\$-	\$-	\$952	\$644	\$-	\$-	\$644
Individual injury insurance	9,624	-	-	9,624	5,212	-	-	5,212
Individual health insurance	29,008	-	-	29,008	16,823	-	-	16,823
Group insurance	24,501	-	-	24,501	1,832	-	-	1,832
Total	\$64,085	\$-	\$-	\$64,085	\$24,511	\$-	\$-	\$24,511

f. Premium deficiency reserve:

	December 31, 2012 (NT\$)			December 31, 2011 (NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$16,389,516	\$-	\$16,389,516	\$12,872,878	\$-	\$12,872,878
Individual health insurance	690,546	-	690,546	673,880	-	673,880
Group insurance	41,573	-	41,573	52,969	-	52,969
Total	\$17,121,635	\$-	\$17,121,635	\$13,599,727	\$-	\$13,599,727

	December 31, 2012 (US\$)			December 31, 2011 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$564,183	\$-	\$564,183	\$425,269	\$-	\$425,269
Individual health insurance	23,771	-	23,771	22,262	-	22,262
Group insurance	1,431	-	1,431	1,750	-	1,750
Total	\$589,385	\$-	\$589,385	\$449,281	\$-	\$449,281

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Premium deficiency reserve is summarized below:

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$13,599,727	\$-	\$13,599,727	\$10,064,101	\$-	\$10,064,101
Reserve	3,754,578	-	3,754,578	3,366,593	-	3,366,593
Recover	-	-	-	-	-	-
Gains on foreign exchange	(232,670)	-	(232,670)	169,033	-	169,033
Ending balance	\$17,121,635	\$-	\$17,121,635	\$13,599,727	\$-	\$13,599,727

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(US\$)			(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$468,149	\$-	\$468,149	\$332,478	\$-	\$332,478
Reserve	129,245	-	129,245	111,219	-	111,219
Recover	-	-	-	-	-	-
Gains on foreign exchange	(8,009)	-	(8,009)	5,584	-	5,584
Ending balance	\$589,385	\$-	\$589,385	\$449,281	\$-	\$449,281

g. Liability adequacy reserve

	December 31, 2012 (NT\$)	December 31, 2012 (US\$)
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$2,990,178,096	\$102,932,121
Unearned premium reserve	11,848,775	407,875
Premium deficiency reserve	17,121,635	589,385
Total	\$3,019,148,506	\$103,929,381
Book value of insurance liabilities	\$3,019,148,506	\$103,929,381
Estimated present value of cash flows	\$2,174,379,434	\$74,849,550
Balance of liability adequacy reserve	\$-	\$-

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	December 31, 2011 (NT\$)	December 31, 2011 (US\$)
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$2,694,755,900	\$89,023,981
Unearned premium reserve	12,017,981	397,026
Premium deficiency reserve	13,599,727	449,281
Total	\$2,720,373,608	\$89,870,288
Book value of insurance liabilities	\$2,720,373,608	\$89,870,288
Estimated present value of cash flows	\$2,368,148,220	\$78,234,167
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 claim is determined based on claims incurred before valuation date (December 31, 2012 and 2011, respectively), therefore, not included in the test.

Note 3: There are no instances of merge or transfer of insurance contract portfolio for Cathay Life. As such, the book value of related intangible assets shall not be deducted from book value of insurance liability for liability adequacy reserve test.

Liability adequacy testing methodology are listed as follows:

	December 31, 2012
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Include insurance contracts and financial instruments with discretionary participation feature as of December 31, 2012. (2) Discount rate: Under assets allocation plan of current semi-annual report, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2011, with neutral assumption for discount rates after 30 years (after 2042).

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

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

Cathay Life issues non-investment-linked insurance contract without discretionary participation feature of financial instruments. As of December 31, 2012 and 2011 reserve for insurance contract with feature of financial instruments are summarized below:

	December 31,			
	2012		2011	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Life insurance	\$56,461,371	\$1,943,593	\$60,624,750	\$2,002,800

	For the year ended December 31, 2012 (NT\$)		For the year ended December 31, 2011 (NT\$)	
Beginning balance	\$60,624,750		\$55,083,796	
Premiums (return) receipt this period	(5,532)		6,757,906	
Insurance claim payments this period	(5,118,417)		(2,214,416)	
Net provision of statutory reserve this period	960,570		997,464	
Ending balance	\$56,461,371		\$60,624,750	

	For the year ended December 31, 2012 (US\$)		For the year ended December 31, 2011 (US\$)	
Beginning balance	\$2,086,910		\$1,819,749	
Premiums (return) receipt this period	(190)		223,254	
Insurance claim payments this period	(176,193)		(73,155)	
Net provision of statutory reserve this period	33,066		32,952	
Ending balance	\$1,943,593		\$2,002,800	

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B. Cathay Life (China)

a. Reserve for life insurance liabilities:

	December 31, 2012 (NT\$)			December 31, 2011 (NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$2,875,460	\$-	\$2,875,460	\$2,417,929	\$-	\$2,417,929
Health insurance	58,989	-	58,989	44,343	-	44,343
Investment-linked insurance	50,436	-	50,436	19,226	-	19,226
Total	\$2,984,885	\$-	\$2,984,885	\$2,481,498	\$-	\$2,481,498

	December 31, 2012 (US\$)			December 31, 2011 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$98,983	\$-	\$98,983	\$79,879	\$-	\$79,879
Health insurance	2,031	-	2,031	1,465	-	1,465
Investment-linked insurance	1,736	-	1,736	635	-	635
Total	\$102,750	\$-	\$102,750	\$81,979	\$-	\$81,979

Reserve for life insurance liabilities are summarized below:

	For the year ended December 31, 2012 (NT\$)			For the year ended December 31, 2011 (NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$2,481,498	\$-	\$2,481,498	\$3,083,702	\$-	\$3,083,702
Reserve	955,020	-	955,020	1,007,504	-	1,007,504
Recover	(377,675)	-	(377,675)	(1,837,146)	-	(1,837,146)
(Gains) losses on foreign exchange	(73,958)	-	(73,958)	227,438	-	227,438
Ending Balance	\$2,984,885	\$-	\$2,984,885	\$2,481,498	\$-	\$2,481,498

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	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(US\$)			(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$85,422	\$-	\$85,422	\$101,873	\$-	\$101,873
Reserve	32,875	-	32,875	33,284	-	33,284
Recover	(13,001)	-	(13,001)	(60,692)	-	(60,692)
(Gains) losses on foreign exchange	(2,546)	-	(2,546)	7,514	-	7,514
Ending Balance	\$102,750	\$-	\$102,750	\$81,979	\$-	\$81,979

b. Unearned premium reserve:

	December 31, 2012			December 31, 2011		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual injury insurance	\$6,787	\$-	\$6,787	\$8,653	\$-	\$8,653
Individual health insurance	624	-	624	682	-	682
Group insurance	245,310	-	245,310	229,383	-	229,383
Total	252,721	-	252,721	238,718	-	238,718
Less ceded unearned premium reserve:						
Individual life insurance	61	-	61	62	-	62
Individual injury insurance	66	-	66	68	-	68
Individual health insurance	2,862	-	2,862	2,937	-	2,937
Group insurance	4,171	-	4,171	4,280	-	4,280
Total	7,160	-	7,160	7,347	-	7,347
Net	\$245,561	\$-	\$245,561	\$231,371	\$-	\$231,371

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	December 31, 2012			December 31, 2011		
	(US\$)			(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual injury insurance	\$234	\$-	\$234	\$286	\$-	\$286
Individual health insurance	22	-	22	22	-	22
Group insurance	8,444	-	8,444	7,578	-	7,578
Total	8,700	-	8,700	7,886	-	7,886
Less ceded unearned premium reserve:						
Individual life insurance	2	-	2	2	-	2
Individual injury insurance	2	-	2	2	-	2
Individual health insurance	98	-	98	97	-	97
Group insurance	144	-	144	141	-	141
Total	246	-	246	242	-	242
Net	\$8,454	\$-	\$8,454	\$7,644	\$-	\$7,644

Unearned premium reserve is summarized below:

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$238,718	\$-	\$238,718	\$211,489	\$-	\$211,489
Reserve	269,698	-	269,698	206,999	-	206,999
Recover	(248,736)	-	(248,736)	(198,970)	-	(198,970)
(Gains) losses on foreign exchange	(6,959)	-	(6,959)	19,200	-	19,200
Ending Balance	252,721	-	252,721	238,718	-	238,718
Less ceded unearned premium reserve:						
Beginning balance-net	7,347	-	7,347	6,749	-	6,749
Increase	24	-	24	-	-	-
(Gains) losses on foreign exchange	(211)	-	(211)	598	-	598
Total	7,160	-	7,160	7,347	-	7,347
Ending Balance-net	\$245,561	\$-	\$245,561	\$231,371	\$-	\$231,371

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	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(US\$)			(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$8,218	\$-	\$8,218	\$6,987	\$-	\$6,987
Reserve	9,284	-	9,284	6,838	-	6,838
Recover	(8,562)	-	(8,562)	(6,573)	-	(6,573)
(Gains) losses on foreign exchange	(240)	-	(240)	634	-	634
Ending Balance	8,700	-	8,700	7,886	-	7,886
Less ceded unearned premium reserve:						
Beginning balance-net	253	-	253	223	-	223
Increase	-	-	-	-	-	-
(Gains) losses on foreign exchange	(7)	-	(7)	19	-	19
Total	246	-	246	242	-	242
Ending Balance-net	\$8,454	\$-	\$8,454	\$7,644	\$-	\$7,644

c. Reserve for claims:

	December 31, 2012			December 31, 2011		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance						
— Reported but not paid claim	\$2,899	\$-	\$2,899	\$19	\$-	\$19
— Unreported claim	2,358	-	2,358	2,118	-	2,118
Individual injury insurance						
— Reported but not paid claim	3,613	-	3,613	2,509	-	2,509
— Unreported claim	3,020	-	3,020	286	-	286
Individual health insurance						
— Reported but not paid claim	3,285	-	3,285	499	-	499
— Unreported claim	7,369	-	7,369	4,592	-	4,592
Group insurance						
— Reported but not paid claim	66,165	-	66,165	21,878	-	21,878
— Unreported claim	307,740	-	307,740	388,663	-	388,663
Total	396,449	-	396,449	420,564	-	420,564
Less ceded reserve for claims:						
Individual health insurance	523	-	523	1,178	-	1,178
Net	\$395,926	\$-	\$395,926	\$419,386	\$-	\$419,386

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	December 31, 2012 (US\$)			December 31, 2011 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance						
— Reported but not paid claim	\$100	\$-	\$100	\$1	\$-	\$1
— Unreported claim	81	-	81	70	-	70
Individual injury insurance						
— Reported but not paid claim	124	-	124	83	-	83
— Unreported claim	104	-	104	9	-	9
Individual health insurance						
— Reported but not paid claim	113	-	113	16	-	16
— Unreported claim	254	-	254	152	-	152
Group insurance						
— Reported but not paid claim	2,278	-	2,278	723	-	723
— Unreported claim	10,594	-	10,594	12,840	-	12,840
Total	13,648	-	13,648	13,894	-	13,894
Less ceded reserve for claims:						
Individual health insurance	18	-	18	39	-	39
Net	\$13,630	\$-	\$13,630	\$13,855	\$-	\$13,855

Reserve for claims is summarized below:

	For the year ended December 31, 2012 (NT\$)			For the year ended December 31, 2011 (NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$420,564	\$-	\$420,564	\$210,756	\$-	\$210,756
Reserve	743,155	-	743,155	520,001	-	520,001
Recover	(755,230)	-	(755,230)	(338,925)	-	(338,925)
(Gains) losses on foreign exchange	(12,040)	-	(12,040)	28,732	-	28,732
Ending balance	396,449	-	396,449	420,564	-	420,564
Less ceded unearned premium reserve:						
Beginning balance-net	1,178	-	1,178	1,082	-	1,082
Increase	-	-	-	-	-	-
Decrease	(624)	-	(624)	-	-	-
(Gains) losses on foreign exchange	(31)	-	(31)	96	-	96
Total	523	-	523	1,178	-	1,178
Net	\$395,926	\$-	\$395,926	\$419,386	\$-	\$419,386

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	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(US\$)			(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$14,477	\$-	\$14,477	\$6,963	\$-	\$6,963
Reserve	25,582	-	25,582	17,179	-	17,179
Recover	(25,997)	-	(25,997)	(11,197)	-	(11,197)
(Gains) losses on foreign exchange	(414)	-	(414)	949	-	949
Ending balance	13,648	-	13,648	13,894	-	13,894
Less ceded unearned premium reserve:						
Beginning balance-net	40	-	40	36	-	36
Increase	-	-	-	-	-	-
Decrease	(21)	-	(21)	-	-	-
(Gains) losses on foreign exchange	(1)	-	(1)	3	-	3
Total	18	-	18	39	-	39
Net	\$13,630	\$-	\$13,630	\$13,855	\$-	\$13,855

d. Liability adequacy reserve

	December 31, 2012 (NT\$)	December 31, 2012 (US\$)
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$2,984,885	\$102,750
Unearned premium reserve	252,721	8,700
Total	\$3,237,606	\$111,450
Book value of insurance liabilities	\$3,237,606	\$111,450
Estimated present value of cash flows	\$2,319,570	\$79,848
Balance of liability adequacy reserve	\$-	\$-

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share data and unless otherwise stated)**

	December 31, 2011 (NT\$)	December 31, 2011 (US\$)
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$2,481,498	\$81,979
Unearned premium reserve	238,718	7,886
Total	\$2,720,216	\$89,865
Book value of insurance liabilities	\$2,720,216	\$89,865
Estimated present value of cash flows	\$2,312,185	\$76,385
Balance of liability adequacy reserve	\$-	\$-

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

Note 2: Reserve for claims is not included in liability adequacy test. Reserve for claims is determined based on claims incurred before valuation date (December 31, 2012 and 2011, respectively); therefore, is not included in the test.

Note 3: There are no instances of merge or transfer of insurance contract portfolio for Cathay Life (China). As such, the book value of related intangible assets shall not be deducted from book value of insurance liability for liability adequacy reserve test.

Liability adequacy testing methodology are listed as follows:

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

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	December 31, 2011
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	<p>(1) Information of policies: Include insurance contracts and financial instruments with discretionary participation feature as of December 31, 2011.</p> <p>(2) Discount rate : Under assets allocation plan of annual report of 2010, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2009.</p>

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

Cathay Life (China) issues non-investment-linked insurance contract without discretionary participation feature of financial instruments. As of December 31, 2012 and 2011 reserve for insurance contract with feature of financial instruments are summarized below:

	December 31,			
	2012		2011	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Life insurance	\$4,889,501	\$168,313	\$6,259,962	\$206,804

	For the year ended December 31, 2012 (NT\$)		For the year ended December 31, 2011 (NT\$)	
Beginning balance	\$6,259,962		\$5,518,921	
Premiums receipt this period	1,248,957		76,026	
Insurance claim payments this period	(704,024)		(322,325)	
Net provision of statutory reserve this period	(1,740,740)		484,711	
(Gains) losses on foreign exchange	(174,654)		502,629	
Ending balance	\$4,889,501		\$6,259,962	

	For the year ended December 31, 2012 (US\$)		For the year ended December 31, 2011 (US\$)	
Beginning balance	\$215,489		\$182,323	
Premiums receipt this period	42,993		2,511	
Insurance claim payments this period	(24,235)		(10,648)	
Net provision of statutory reserve (recover) this period	(59,922)		16,013	
(Gains) losses on foreign exchange	(6,012)		16,605	
Ending balance	\$168,313		\$206,804	

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C. Cathay Life (Vietnam)

a. Reserve for life insurance liabilities:

	December 31, 2012 (NT\$)			December 31, 2011 (NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$299,490	\$-	\$299,490	\$231,165	\$-	\$231,165
Investment-linked insurance	9	-	9	-	-	-
Total	\$299,499	\$-	\$299,499	\$231,165	\$-	\$231,165

	December 31, 2012 (US\$)			December 31, 2011 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$10,309	\$-	\$10,309	\$7,637	\$-	\$7,637
Investment-linked insurance	-	-	-	-	-	-
Total	\$10,309	\$-	\$10,309	\$7,637	\$-	\$7,637

Reserve for life insurance liabilities are summarized below:

	For the year ended December 31, 2012 (NT\$)			For the year ended December 31, 2011 (NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$231,165	\$-	\$231,165	\$118,431	\$-	\$118,431
Reserve	77,228	-	77,228	115,585	-	115,585
Recover	-	-	-	-	-	-
Gains on foreign exchange	(8,894)	-	(8,894)	(2,851)	-	(2,851)
Ending Balance	\$299,499	\$-	\$299,499	\$231,165	\$-	\$231,165

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	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(US\$)			(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$7,957	\$-	\$7,957	\$3,913	\$-	\$3,913
Reserve	2,658	-	2,658	3,818	-	3,818
Recover	-	-	-	-	-	-
Gains on foreign exchange	(306)	-	(306)	(94)	-	(94)
Ending Balance	\$10,309	\$-	\$10,309	\$7,637	\$-	\$7,637

b. Unearned premium reserve:

	December 31, 2012			December 31, 2011		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual injury insurance	\$1,666	\$-	\$1,666	\$1,484	\$-	\$1,484
Individual health insurance	1,614	-	1,614	1,850	-	1,850
Total	\$3,280	\$-	\$3,280	\$3,334	\$-	\$3,334

	December 31, 2012			December 31, 2011		
	(US\$)			(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual injury insurance	\$57	\$-	\$57	\$49	\$-	\$49
Individual health insurance	56	-	56	61	-	61
Total	\$113	\$-	\$113	\$110	\$-	\$110

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Unearned premium reserve is summarized below:

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$3,334	\$-	\$3,334	\$2,061	\$-	\$2,061
Reserve	54	-	54	1,330	-	1,330
Recover	-	-	-	-	-	-
Gains on foreign exchange	(108)	-	(108)	(57)	-	(57)
Ending Balance	\$3,280	\$-	\$3,280	\$3,334	\$-	\$3,334

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(US\$)			(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$115	\$-	\$115	\$68	\$-	\$68
Reserve	2	-	2	44	-	44
Recover	-	-	-	-	-	-
Gains on foreign exchange	(4)	-	(4)	(2)	-	(2)
Ending Balance	\$113	\$-	\$113	\$110	\$-	\$110

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c. Reserve for claims:

	December 31, 2012			December 31, 2011		
	(NT\$)			(NT\$)		
	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	\$1,251	\$-	\$1,251	\$302	\$-	\$302
— Unreported claim	-	-	-	-	-	-
Individual injury insurance						
— Reported but not paid claim	231	-	231	139	-	139
— Unreported claim	163	-	163	141	-	141
Individual health insurance						
— Reported but not paid claim	206	-	206	98	-	98
— Unreported claim	294	-	294	109	-	109
Investment-linked insurance						
— Reported but not paid claim	390	-	390	-	-	-
Total	\$2,535	\$-	\$2,535	\$789	\$-	\$789

	December 31, 2012			December 31, 2011		
	(US\$)			(US\$)		
	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	\$43	\$-	\$43	\$10	\$-	\$10
— Unreported claim	-	-	-	-	-	-
Individual injury insurance						
— Reported but not paid claim	8	-	8	4	-	4
— Unreported claim	6	-	6	5	-	5
Individual health insurance						
— Reported but not paid claim	7	-	7	3	-	3
— Unreported claim	10	-	10	4	-	4
Investment-linked insurance						
— Reported but not paid claim	13	-	13	-	-	-
Total	\$87	\$-	\$87	\$26	\$-	\$26

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Reserve for claims is summarized below:

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$789	\$-	\$789	\$545	\$-	\$545
Reserve	1,804	-	1,804	260	-	260
Recover	-	-	-	-	-	-
Gains on foreign exchange	(58)	-	(58)	(16)	-	(16)
Ending balance	\$2,535	\$-	\$2,535	\$789	\$-	\$789

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	(US\$)			(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$27	\$-	\$27	\$18	\$-	\$18
Reserve	62	-	62	9	-	9
Gains on foreign exchange	(2)	-	(2)	(1)	-	(1)
Ending balance	\$87	\$-	\$87	\$26	\$-	\$26

d. Special reserve:

	December 31, 2012				December 31, 2011			
	(NT\$)				(NT\$)			
	Financial instruments with discretionary participation				Financial instruments with discretionary participation			
	Insurance contract	feature	Other	Total	Insurance contract	feature	Other	Total
Others	\$516	\$-	\$-	\$516	\$533	\$-	\$-	\$533

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	December 31, 2012				December 31, 2011			
	(US\$)				(US\$)			
	Financial instruments with discretionary participation				Financial instruments with discretionary participation			
	Insurance contract	feature	Other	Total	Insurance contract	feature	Other	Total
Others	\$17	\$-	\$-	\$17	\$18	\$-	\$-	\$18

Special reserve is summarized below:

	For the year ended December 31, 2012				For the year ended December 31, 2011			
	(NT\$)				(NT\$)			
	Financial instruments with discretionary participation				Financial instruments with discretionary participation			
	Insurance contract	feature	Other	Total	Insurance contract	feature	Other	Total
Beginning balance	\$533	\$-	\$-	\$533	\$551	\$-	\$-	\$551
Reserves for major incidents over 15 years	-	-	-	-	-	-	-	-
Actual claims payment less offsets of reserves for major incidents exceed expected claims payment	-	-	-	-	-	-	-	-
Accumulated provision for special reserves for fluctuation of risks is more than 30 percent of the retained earned premium for the current year	-	-	-	-	-	-	-	-
Reserves participating policies dividends reserve	-	-	-	-	-	-	-	-
Participating policies dividends reserve	-	-	-	-	-	-	-	-
Reserves dividends risk reserve	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Loss (gains) on foreign exchange	(17)	-	-	(17)	(18)	-	-	(18)
Ending balance	\$516	\$-	\$-	\$516	\$533	\$-	\$-	\$533

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	For the year ended December 31, 2012				For the year ended December 31, 2011			
	(US\$)				(US\$)			
	Financial instruments with discretionary participation				Financial instruments with discretionary participation			
	Insurance contract	feature	Other	Total	Insurance contract	feature	Other	Total
Beginning balance	\$17	\$-	\$-	\$17	\$18	\$-	\$-	\$18
Reserves for major incidents over 15 years	-	-	-	-	-	-	-	-
Actual claims payment less offsets of reserves for major incidents exceed expected claims payment	-	-	-	-	-	-	-	-
Accumulated provision for special reserves for fluctuation of risks is more than 30 percent of the retained earned premium for the current year	-	-	-	-	-	-	-	-
Reserves participating policies dividends reserve	-	-	-	-	-	-	-	-
Participating policies dividends reserve	-	-	-	-	-	-	-	-
Reserves dividends risk reserve	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Gains on foreign exchange	-	-	-	-	-	-	-	-
Ending balance	\$17	\$-	\$-	\$17	\$18	\$-	\$-	\$18

e. Liability adequacy reserve

	December 31, 2012 (NT\$)	December 31, 2012 (US\$)
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$299,499	\$10,309
Unearned premium reserve	3,280	113
Total	\$302,779	\$10,422
Book value of insurance liabilities	\$302,779	\$10,422
Estimated present value of cash flows	Negative amount	Negative amount
Balance of liability adequacy reserve	\$-	\$-

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share data and unless otherwise stated)**

	December 31, 2011 (NT\$)	December 31, 2011 (US\$)
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$231,165	\$7,637
Unearned premium reserve	3,334	110
Total	\$234,499	\$7,747
Book value of insurance liabilities	\$234,499	\$7,747
Estimated present value of cash flows	Negative amount	Negative amount
Balance of liability adequacy reserve	\$-	\$-

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

Note 2: Outstanding reserve for claims (NT\$2,535 (US\$87) and NT\$789 (US\$26) thousands, respectively) and special reserve (NT\$516 (US\$17) and NT\$533 (US\$18) thousands, respectively) are not included in liability adequacy test. Reserve for claims is determined based on claims incurred before valuation date (December 31, 2012 and 2011, respectively) and therefore not included in the test.

Note 3: As the loss ratio of one-year injury medical insurance is less than 100%, unearned premium reserve is included in the calculation of estimate present value of cash flows.

Note 4: Extended contracts are calculated based on maximum possibility of loss, which assumes the insured immediately death of the insured to calculate estimated present value of cash flows.

Note 5: There are no instances of merge or transfer of insurance contract portfolio for Cathay Life (Vietnam). As such, the book value of related intangible assets shall not be deducted from book value of insurance liability for liability adequacy reserve test.

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(2) Property and casualty insurance subsidiaries

① Cathay Century

A. Unearned premium reserve:

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

	December 31, 2012 (NT\$)			
	Unearned premium reserve		Ceded unearned premium reserve	
Item	Direct business	Assumed reinsurance business	Ceded reinsurance business	Retained business
Fire insurance	\$1,972,331	\$56,473	\$855,032	\$1,173,772
Marine insurance	238,464	17,431	206,953	48,942
Land and air insurance	2,941,983	13,196	158,590	2,796,589
Liability insurance	418,457	104	139,733	278,828
Bonding insurance	25,634	537	8,976	17,195
Other property insurance	877,925	12,708	501,920	388,713
Accident insurance	1,526,552	3,431	84,690	1,445,293
Health insurance	88,102	-	1,154	86,948
Compulsory automobile liability insurance	1,198,010	186,904	479,228	905,686
Total	\$9,287,458	\$290,784	\$2,436,276	\$7,141,966

December 31, 2012 (US\$)				
Item	Unearned premium reserve		Ceded unearned premium reserve	Retained business
	Direct business	Assumed reinsurance business	Ceded reinsurance business	
Fire insurance	\$67,894	\$1,944	\$29,433	\$40,405
Marine insurance	8,209	600	7,124	1,685
Land and air insurance	101,273	454	5,459	96,268
Liability insurance	14,405	4	4,810	9,599
Bonding insurance	882	19	309	592
Other property insurance	30,221	437	17,278	13,380
Accident insurance	52,549	118	2,915	49,752
Health insurance	3,033	-	40	2,993
Compulsory automobile liability insurance	41,240	6,434	16,497	31,177
Total	\$319,706	\$10,010	\$83,865	\$245,851

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share data and unless otherwise stated)**

December 31, 2011				
(NT\$)				
	Unearned premium reserve		Ceded unearned premium reserve	
Item	Direct business	Assumed reinsurance business	Ceded reinsurance business	Retained business
Fire insurance	\$1,679,353	\$40,221	\$669,948	\$1,049,626
Marine insurance	251,445	1,395	216,229	36,611
Land and air insurance	2,469,728	5,322	149,756	2,325,294
Liability insurance	334,740	119	93,384	241,475
Bonding insurance	22,532	397	6,418	16,511
Other property insurance	794,357	13,615	480,928	327,044
Accident insurance	1,508,445	25,845	73,958	1,460,332
Health insurance	147,642	-	2,417	145,225
Compulsory automobile liability insurance	1,147,140	182,070	458,858	870,352
Total	\$8,355,382	\$268,984	\$2,151,896	\$6,472,470

December 31, 2011				
(US\$)				
	Unearned premium reserve		Ceded unearned premium reserve	
Item	Direct business	Assumed reinsurance business	Ceded reinsurance business	Retained business
Fire insurance	\$55,479	\$1,329	\$22,133	\$34,675
Marine insurance	8,307	46	7,143	1,210
Land and air insurance	81,590	176	4,947	76,819
Liability insurance	11,058	4	3,085	7,977
Bonding insurance	744	13	212	545
Other property insurance	26,242	450	15,888	10,804
Accident insurance	49,833	854	2,443	48,244
Health insurance	4,878	-	80	4,798
Compulsory automobile liability insurance	37,897	6,015	15,159	28,753
Total	\$276,028	\$8,887	\$71,090	\$213,825

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

Item	For the year ended December 31, 2012			
	Unearned premium reserve		Ceded unearned premium reserve	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$8,624,366	\$296,880	\$2,151,896	\$74,075
Reserve	9,578,242	329,716	2,436,276	83,865
Recover	(8,624,366)	(296,880)	(2,151,896)	(74,075)
Ending balance	<u>\$9,578,242</u>	<u>\$329,716</u>	<u>\$2,436,276</u>	<u>\$83,865</u>

Item	For the year ended December 31, 2011			
	Unearned premium reserve		Ceded unearned premium reserve	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$7,448,272	\$246,061	\$1,773,103	\$58,576
Reserve	8,624,366	284,915	2,151,896	71,090
Recover	(7,448,272)	(246,061)	(1,773,103)	(58,576)
Ending balance	<u>\$8,624,366</u>	<u>\$284,915</u>	<u>\$2,151,896</u>	<u>\$71,090</u>

B. Special reserve:

- a. Special reserve- Compulsory car insurance:

Item	For the year ended December 31, 2012		For the year ended December 31, 2011	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$2,434,891	\$83,817	\$2,335,811	\$77,166
Reserve	199,736	6,876	264,722	8,745
Recover	(327,036)	(11,258)	(165,642)	(5,472)
Ending balance	<u>\$2,307,591</u>	<u>\$79,435</u>	<u>\$2,434,891</u>	<u>\$80,439</u>

- b. Special reserve- Non-compulsory car insurance:

Item	For the year ended December 31, 2012 (NT\$)		
	Liability		
	Major incidents	Fluctuation of risks	Total
Beginning balance	\$1,172,396	\$1,153,815	\$2,326,211
Reserve	-	-	-
Recover	(59,328)	(118,836)	(178,164)
Ending balance	<u>\$1,113,068</u>	<u>\$1,034,979</u>	<u>\$2,148,047</u>

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For the year ended December 31, 2012 (US\$)			
Item	Liability		
	Major incidents	Fluctuation of risks	Total
Beginning balance	\$40,358	\$39,718	\$80,076
Reserve	-	-	-
Recover	(2,042)	(4,091)	(6,133)
Ending balance	\$38,316	\$35,627	\$73,943

For the year ended December 31, 2011 (NT\$)			
Item	Liability		
	Major incidents	Fluctuation of risks	Total
Beginning balance	\$1,183,609	\$1,643,828	\$2,827,437
Reserve	-	-	-
Recover	(11,213)	(490,013)	(501,226)
Ending balance	\$1,172,396	\$1,153,815	\$2,326,211

For the year ended December 31, 2011 (US\$)			
Item	Liability		
	Major incidents	Fluctuation of risks	Total
Beginning balance	\$39,102	\$54,306	\$93,408
Reserve	-	-	-
Recover	(371)	(16,188)	(16,559)
Ending balance	\$38,731	\$38,118	\$76,849

For the year ended December 31, 2012 (NT\$)			
Item	Special reserve		
	Major incidents	Fluctuation of risks	Total
Beginning balance	\$169,987	\$292,493	\$462,480
Reserve	145,997	266,768	412,765
Recover	-	(5,267)	(5,267)
Ending balance	\$315,984	\$553,994	\$869,978

For the year ended December 31, 2012 (US\$)			
Item	Special reserve		
	Major incidents	Fluctuation of risks	Total
Beginning balance	\$5,852	\$10,069	\$15,921
Reserve	5,025	9,183	14,208
Recover	-	(181)	(181)
Ending balance	\$10,877	\$19,071	\$29,948

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For the year ended December 31, 2011 (NT\$)			
Item	Special reserve		
	Major incidents	Fluctuation of risks	Total
Beginning balance	\$-	\$-	\$-
Reserve	169,987	292,493	462,480
Recover	-	-	-
Ending balance	\$169,987	\$292,493	\$462,480

For the year ended December 31, 2011 (US\$)			
Item	Special reserve		
	Major incidents	Fluctuation of risks	Total
Beginning balance	\$-	\$-	\$-
Reserve	5,616	9,663	15,279
Recover	-	-	-
Ending balance	\$5,616	\$9,663	\$15,279

C. Reserve for claims:

a. Claim reserve and ceded claim reserve:

December 31, 2012				
(NT\$)				
Item	Claim reserve		Ceded claim reserve	
	Assumed reinsurance		Ceded reinsurance	
	Direct business	business	business	Retained business
	(1)	(2)	(3)	(4)=(1)+(2)-(3)
Claim reported but not paid off	\$3,619,176	\$293,676	\$1,555,454	\$2,357,398
Unreported claim	1,072,918	39,442	218,506	893,854
Total	\$4,692,094	\$333,118	\$1,773,960	\$3,251,252

December 31, 2012				
(US\$)				
Item	Claim reserve		Ceded claim reserve	
	Assumed reinsurance		Ceded reinsurance	
	Direct business	business	business	Retained business
	(1)	(2)	(3)	(4)=(1)+(2)-(3)
Claim reported but not paid off	\$124,584	\$10,109	\$53,544	\$81,149
Unreported claim	36,934	1,358	7,522	30,770
Total	\$161,518	\$11,467	\$61,066	\$111,919

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December 31, 2011

(NT\$)

Item	Claim reserve		Ceded claim reserve	
	Assumed reinsurance		Ceded reinsurance	
	Direct business	business	business	Retained business
	(1)	(2)	(3)	(4)=(1)+(2)-(3)
Claim reported but not paid off	\$3,892,767	\$196,680	\$1,841,574	\$2,247,873
Unreported claim	904,613	44,432	202,725	746,320
Total	\$4,797,380	\$241,112	\$2,044,299	\$2,994,193

December 31, 2011

(US\$)

Item	Claim reserve		Ceded claim reserve	
	Assumed reinsurance		Ceded reinsurance	
	Direct business	business	business	Retained business
	(1)	(2)	(3)	(4)=(1)+(2)-(3)
Claim reported but not paid off	\$128,601	\$6,497	\$60,838	\$74,260
Unreported claim	29,885	1,468	6,697	24,656
Total	\$158,486	\$7,965	\$67,535	\$98,916

b. Net changes for claim reserve and ceded claim reserve:

December 31, 2012

(NT\$)

								Ceded premium deficiency reserve
	Direct underwriting business		Assumed reinsurance business		Net change for claim reserve	Ceded reinsurance business		Net change
Item	(1)	(2)	(3)	(4)	(5)=(1)-(2)+(3)-(4)	(6)	(7)	(8)=(6)-(7)
Claim reported but not paid off	\$3,619,176	\$3,892,767	\$293,676	\$196,680	\$(176,595)	\$1,555,454	\$1,841,574	\$(286,120)
Unreported claim	1,072,918	904,613	39,442	44,432	163,315	218,506	202,725	15,781
Total	\$4,692,094	\$4,797,380	\$333,118	\$241,112	\$(13,280)	\$1,773,960	\$2,044,299	\$(270,339)

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December 31, 2012

(US\$)

Item	Direct underwriting business		Assumed reinsurance business		Net change for claim reserve	Ceded reinsurance business		Ceded premium deficiency reserve
	Reserve	Recover	Reserve	Recover		Reserve	Recover	Net change
	(1)	(2)	(3)	(4)		(6)	(7)	(8)=(6)-(7)
Claim reported but not paid off	\$124,584	\$134,002	\$10,109	\$6,770	\$(6,079)	\$53,544	\$63,393	\$(9,849)
Unreported claim	36,934	31,140	1,358	1,530	5,622	7,522	6,979	543
Total	<u>\$161,518</u>	<u>\$165,142</u>	<u>\$11,467</u>	<u>\$8,300</u>	<u>\$(457)</u>	<u>\$61,066</u>	<u>\$70,372</u>	<u>\$(9,306)</u>

December 31, 2011

(NT\$)

Item	Direct underwriting business		Assumed reinsurance business		Net change for claim reserve	Ceded reinsurance business		Ceded premium deficiency reserve
	Reserve	Recover	Reserve	Recover		Reserve	Recover	Net change
	(1)	(2)	(3)	(4)		(6)	(7)	(8)=(6)-(7)
Claim reported but not paid off	\$3,892,767	\$3,571,273	\$196,680	\$54,196	\$463,978	\$1,841,574	\$1,533,321	\$308,253
Unreported claim	904,613	827,046	44,432	-	121,999	202,725	147,389	55,336
Total	<u>\$4,797,380</u>	<u>\$4,398,319</u>	<u>\$241,112</u>	<u>\$54,196</u>	<u>\$585,977</u>	<u>\$2,044,299</u>	<u>\$1,680,710</u>	<u>\$363,589</u>

December 31, 2011

(US\$)

Item	Direct underwriting business		Assumed reinsurance business		Net change for claim reserve	Ceded reinsurance business		Ceded premium deficiency reserve
	Reserve	Recover	Reserve	Recover		Reserve	Recover	Net change
	(1)	(2)	(3)	(4)		(6)	(7)	(8)=(6)-(7)
Claim reported but not paid off	\$128,601	\$117,981	\$6,497	\$1,790	\$15,327	\$60,838	\$50,655	\$10,183
Unreported claim	29,885	27,322	1,468	-	4,031	6,697	4,869	1,828
Total	<u>\$158,486</u>	<u>\$145,303</u>	<u>\$7,965</u>	<u>\$1,790</u>	<u>\$19,358</u>	<u>\$67,535</u>	<u>\$55,524</u>	<u>\$12,011</u>

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- c. Liability claim for policyholder who reported claim but not yet paid off or unreported claim:

December 31, 2012						
Claim reserve						
Item	Claim reported but not yet paid off		Unreported claim		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$1,160,525	\$39,949	\$4,965	\$171	\$1,165,490	\$40,120
Marine insurance	741,742	25,533	131,843	4,539	873,585	30,072
Land and air insurance	688,473	23,699	490,267	16,877	1,178,740	40,576
Liability insurance	169,140	5,822	117,731	4,053	286,871	9,875
Bonding insurance	19,834	683	10,367	357	30,201	1,040
Other property insurance	307,451	10,583	11,853	408	319,304	10,991
Accident insurance	68,491	2,358	284,579	9,796	353,070	12,154
Health insurance	6,816	235	39,229	1,350	46,045	1,585
Compulsory automobile liability insurance	750,380	25,831	21,526	741	771,906	26,572
Total	\$3,912,852	\$134,693	\$1,112,360	\$38,292	\$5,025,212	\$172,985

December 31, 2011						
Claim reserve						
Item	Claim reported but not yet paid off		Unreported claim		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$2,005,810	\$66,264	\$81,919	\$2,706	\$2,087,729	\$68,970
Marine insurance	582,242	19,235	174,483	5,764	756,725	24,999
Land and air insurance	506,625	16,737	456,098	15,068	962,723	31,805
Liability insurance	192,770	6,368	43,458	1,436	236,228	7,804
Bonding insurance	22,186	733	407	13	22,593	746
Other property insurance	254,554	8,410	9,195	304	263,749	8,714
Accident insurance	128,602	4,248	160,629	5,307	289,231	9,555
Health insurance	9,821	324	2,213	73	12,034	397
Compulsory automobile liability insurance	386,837	12,780	20,643	682	407,480	13,462
Total	\$4,089,447	\$135,099	\$949,045	\$31,353	\$5,038,492	\$166,452

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d. Reinsurance asset- ceded claim reserve for policyholder who reported claim but not yet paid off or unreported claim:

December 31, 2012						
Ceded claim reserve						
Item	Claim reported but not yet paid off		Unreported claim		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$439,940	\$15,144	\$-	\$-	\$439,940	\$15,144
Marine insurance	599,505	20,637	124,716	4,293	724,221	24,930
Land and air insurance	42,156	1,451	11,763	405	53,919	1,856
Liability insurance	38,711	1,333	32,719	1,126	71,430	2,459
Bonding insurance	18,225	627	5,084	175	23,309	802
Other property insurance	144,431	4,972	3,666	126	148,097	5,098
Accident insurance	6,829	235	31,650	1,090	38,479	1,325
Health insurance	75	3	1,398	48	1,473	51
Compulsory automobile liability insurance	265,582	9,142	7,510	259	273,092	9,401
Total	\$1,555,454	\$53,544	\$218,506	\$7,522	\$1,773,960	\$61,066

December 31, 2011						
Ceded claim reserve						
Item	Claim reported but not yet paid off		Unreported claim		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$1,047,223	\$34,596	\$20,217	\$668	\$1,067,440	\$35,264
Marine insurance	415,387	13,723	145,156	4,795	560,543	18,518
Land and air insurance	22,205	733	1,412	47	23,617	780
Liability insurance	74,544	2,463	8,336	275	82,880	2,738
Bonding insurance	19,132	632	24	1	19,156	633
Other property insurance	119,836	3,959	1,704	56	121,540	4,015
Accident insurance	14,532	480	18,570	614	33,102	1,094
Health insurance	-	-	132	4	132	4
Compulsory automobile liability insurance	128,715	4,252	7,174	237	135,889	4,489
Total	\$1,841,574	\$60,838	\$202,725	\$6,697	\$2,044,299	\$67,535

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e. Reconciliation statement for claim reserve and ceded claim reserve:

Item	For the year ended December 31, 2012			
	Claim reserve		Ceded claim reserve	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$5,038,492	\$173,442	\$2,044,299	\$70,372
Reserve	5,025,212	172,985	1,773,960	61,066
Recover	(5,038,492)	(173,442)	(2,044,299)	(70,372)
Ending balance	<u>\$5,025,212</u>	<u>\$172,985</u>	<u>\$1,773,960</u>	<u>\$61,066</u>

Item	For the year ended December 31, 2011			
	Claim reserve		Ceded claim reserve	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$4,452,515	\$147,093	\$1,680,710	\$55,524
Reserve	5,038,492	166,452	2,044,299	67,535
Recover	(4,452,515)	(147,093)	(1,680,710)	(55,524)
Ending balance	<u>\$5,038,492</u>	<u>\$166,452</u>	<u>\$2,044,299</u>	<u>\$67,535</u>

D. Premium deficiency reserve

a. Premium deficiency reserve and ceded premium deficiency reserve:

Item	December 31, 2012							
	Premium deficiency reserve				Ceded premium deficiency reserve			
			Assumed		Ceded reinsurance		Retained business	
	Direct business		reinsurance business		business			
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Marine insurance	9,074	312	726	25	(7,259)	(250)	17,059	587
Land and air insurance	-	-	9,319	321	-	-	9,319	321
Liability insurance	-	-	-	-	-	-	-	-
Bonding insurance	2,089	72	-	-	2,089	72	-	-
Other property insurance	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-
Total	<u>\$11,163</u>	<u>\$384</u>	<u>\$10,045</u>	<u>\$346</u>	<u>\$(5,170)</u>	<u>\$(178)</u>	<u>\$26,378</u>	<u>\$908</u>

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December 31, 2011								
Item	Premium deficiency reserve				Ceded premium deficiency reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$-	\$-	\$432	\$14	\$(5,485)	\$(181)	\$5,917	\$195
Marine insurance	9,805	324	55	2	1,867	62	7,993	264
Land and air insurance	-	-	2	-	(1,480)	(49)	1,482	49
Liability insurance	-	-	49	2	49	2	-	-
Bonding insurance	11,179	369	6	-	11,185	369	-	-
Other property insurance	-	-	3	-	-	-	3	-
Total	\$20,984	\$693	\$547	\$18	\$6,136	\$203	\$15,395	\$508

b. Recognized net loss for premium deficiency reserve- Net change for premium deficiency reserve and ceded premium deficiency reserve:

For the year ended December 31, 2012 (NT\$)									
Item	Direct underwriting business		Assumed reinsurance business		Premium deficiency reserve	Ceded reinsurance business		Ceded premium deficiency reserve	Recognized net loss (gain) for premium deficiency
	Reserve	Recover	Reserve	Recover	Net change	Reserve	Recover	Net change	reserve
	(1)	(2)	(3)	(4)	(5)=(1)-(2)+(3)-(4)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(8)
	(1)	(2)	(3)	(4)	(5)=(1)-(2)+(3)-(4)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	\$-	\$-	\$-	\$432	\$(432)	\$-	\$(5,485)	\$5,485	\$(5,917)
Marine insurance	9,074	9,805	726	55	(60)	(7,259)	1,867	(9,126)	9,066
Land & air insurance	-	-	9,319	2	9,317	-	(1,480)	1,480	7,837
Liability insurance	-	-	-	49	(49)	-	49	(49)	-
Bonding insurance	2,089	11,179	-	6	(9,096)	2,089	11,185	(9,096)	-
Other property insurance	-	-	-	3	(3)	-	-	-	(3)
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Total	\$11,163	\$20,984	\$10,045	\$547	\$(323)	\$(5,170)	\$6,136	\$(11,306)	\$10,983

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share data and unless otherwise stated)**

For the year ended December 31, 2012 (US\$)

Item	Direct underwriting		Assumed reinsurance		Premium deficiency	Ceded reinsurance business		Ceded	Recognized
	business		business		reserve	business		premium	net loss (gain)
								deficiency	for premium
	Reserve	Recover	Reserve	Recover	Net change	Reserve	Recover	reserve	deficiency
	(1)	(2)	(3)	(4)	(5)=(1)-(2)+(3)-(4)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	\$-	\$-	\$-	\$15	\$(15)	\$-	\$(189)	\$189	\$(204)
Marine insurance	312	337	25	2	(2)	(250)	64	(314)	312
Land & air									
insurance	-	-	321	-	321	-	(51)	51	270
Liability insurance	-	-	-	2	(2)	-	2	(2)	-
Bonding insurance	72	385	-	-	(313)	72	385	(313)	-
Other property									
insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Total	\$384	\$722	\$346	\$19	\$(11)	\$(178)	\$211	\$(389)	\$378

For the year ended December 31, 2011 (NT\$)

Item	Direct underwriting		Assumed reinsurance		Premium deficiency	Ceded reinsurance business		Ceded	Recognized
	business		business		reserve	business		premium	net loss for
								deficiency	premium
	Reserve	Recover	Reserve	Recover	Net change	Reserve	Recover	reserve	deficiency
	(1)	(2)	(3)	(4)	(5)=(1)-(2)+(3)-(4)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	\$-	\$-	\$432	\$-	\$432	\$(5,485)	\$-	\$(5,485)	\$5,917
Marine insurance	9,805	61,778	55	139	(52,057)	1,867	56,155	(54,288)	2,231
Land & air									
insurance	-	-	2	-	2	(1,480)	(4,220)	2,740	(2,738)
Liability insurance	-	-	49	-	49	49	-	49	-
Bonding insurance	11,179	9,053	6	-	2,132	11,185	9,053	2,132	-
Other property									
insurance	-	-	3	-	3	-	-	-	3
Total	\$20,984	\$70,831	\$547	\$139	\$(49,439)	\$6,136	\$60,988	\$(54,852)	\$5,413

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For the year ended December 31, 2011 (US\$)

Item	Direct underwriting		Assumed reinsurance		Premium deficiency	Ceded reinsurance business		Ceded premium deficiency reserve	Recognized net loss for premium deficiency
	business		business		reserve	business		reserve	premium
	Reserve	Recover	Reserve	Recover	Net change	Reserve	Recover	Net change	reserve
	(1)	(2)	(3)	(4)	(5)=(1)-(2)+(3)-(4)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	\$-	-	\$14	-	\$14	\$(181)	-	\$ (181)	\$195
Marine insurance	324	2,041	2	5	(1,720)	62	1,855	(1,793)	73
Land & air insurance	-	-	-	-	-	(49)	(139)	90	(90)
Liability insurance	-	-	2	-	2	2	-	2	-
Bonding insurance	369	299	-	-	70	369	299	70	-
Other property insurance	-	-	-	-	-	-	-	-	-
Total	\$693	\$2,340	\$18	\$5	\$(1,634)	\$203	\$2,015	\$(1,812)	\$178

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

For the year ended December 31, 2012

Item	Premium deficiency reserve		Ceded premium deficiency reserve	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$21,513	\$741	\$6,136	\$211
Reserve	21,208	730	(5,170)	(178)
Recover	(21,531)	(741)	(6,136)	(211)
Ending balance	\$21,208	\$730	\$(5,170)	\$(178)

For the year ended December 31, 2011

Item	Premium deficiency reserve		Ceded premium deficiency reserve	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$70,970	\$2,345	\$60,988	\$2,015
Reserve	21,531	711	6,136	203
Recover	(70,970)	(2,345)	(60,988)	(2,015)
Ending balance	\$21,531	\$711	\$6,136	\$203

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d. Effects for the change of estimation and assumption:

Premium deficiency reserve for Cathay Century is a measurement of present value for future expenditure. The expected final loss ratio was referred to the data from Cathay Century 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 from Cathay Century 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.

② Cathay Century (China)

A. Unearned premium reserve:

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

December 31, 2012 (NT\$)				
Item	Unearned premium reserve		Ceded unearned premium reserve	
	Direct business	Assumed reinsurance business	Ceded reinsurance business	Retained business
Fire insurance	\$107,724	\$409	\$42,223	\$65,910
Marine insurance	2,180	-	675	1,505
Liability insurance	94,195	70	31,363	62,902
Bonding insurance	857	-	180	677
Other property insurance	265,200	3,234	7,389	261,045
Accident insurance	-	545	-	545
Total	\$470,156	\$4,258	\$81,830	\$392,584

December 31, 2012 (US\$)				
Item	Unearned premium reserve		Ceded unearned premium reserve	
	Direct business	Assumed reinsurance business	Ceded reinsurance business	Retained business
Fire insurance	\$3,708	\$14	\$1,453	\$2,269
Marine insurance	75	-	23	52
Liability insurance	3,243	2	1,080	2,165
Bonding insurance	29	-	6	23
Other property insurance	9,129	112	255	8,986
Accident insurance	-	19	-	19
Total	\$16,184	\$147	\$2,817	\$13,514

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December 31, 2011 (NT\$)				
Item	Unearned premium reserve		Ceded unearned premium reserve	Retained business
	Direct business	Assumed reinsurance business	Ceded reinsurance business	
Fire insurance	\$115,319	\$296	\$55,255	\$60,360
Marine insurance	5,946	28	2,204	3,770
Liability insurance	62,315	-	25,200	37,115
Bonding insurance	2,190	-	315	1,875
Other property insurance	95,764	1,484	9,944	87,304
Accident insurance	-	30	-	30
Total	<u>\$281,534</u>	<u>\$1,838</u>	<u>\$92,918</u>	<u>\$190,454</u>

December 31, 2011 (US\$)				
Item	Unearned premium reserve		Ceded unearned premium reserve	Retained business
	Direct business	Assumed reinsurance business	Ceded reinsurance business	
Fire insurance	\$3,810	\$10	\$1,825	\$1,995
Marine insurance	196	1	73	124
Liability insurance	2,059	-	833	1,226
Bonding insurance	72	-	10	62
Other property insurance	3,164	49	329	2,884
Accident insurance	-	1	-	1
Total	<u>\$9,301</u>	<u>\$61</u>	<u>\$3,070</u>	<u>\$6,292</u>

b. Reconciliation statement for unearned premium reserve and ceded unearned premium reserve:

For the year ended December 31, 2012				
Item	Unearned premium reserve		Ceded unearned premium reserve	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$283,372	\$9,755	\$92,918	\$3,199
Reserve	476,555	16,405	82,199	2,830
Recover	(276,465)	(9,517)	(90,653)	(3,121)
Gains on foreign exchange	(9,048)	(312)	(2,634)	(91)
Ending balance	<u>\$474,414</u>	<u>\$16,331</u>	<u>\$81,830</u>	<u>\$2,817</u>

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Item	For the year ended December 31, 2011			
	Unearned premium reserve		Ceded unearned premium reserve	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$114,703	\$3,789	\$47,363	\$1,565
Reserve	268,481	8,870	88,035	2,908
Recover	(118,312)	(3,908)	(48,853)	(1,614)
Losses on foreign exchange	18,501	611	6,373	211
Ending balance	<u>\$283,373</u>	<u>\$9,362</u>	<u>\$92,918</u>	<u>\$3,070</u>

B. Claim reserve:

- a. Liability claim for policyholder who reported claim but not yet paid off or unreported claim:

Item	December 31, 2012					
	Claim reserve					
	Claim reported and paid off		Unreported claim		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$163,988	\$5,645	\$12,559	\$433	\$176,547	\$6,078
Marine insurance	51,897	1,787	27,357	941	79,254	2,728
Liability insurance	79,882	2,750	108,342	3,729	188,224	6,479
Bonding insurance	-	-	3,927	135	3,927	135
Other property insurance	180,035	6,197	133,712	4,603	313,747	10,800
Accident insurance	-	-	107	4	107	4
Total	<u>\$475,802</u>	<u>\$16,379</u>	<u>\$286,004</u>	<u>\$9,845</u>	<u>\$761,806</u>	<u>\$26,224</u>

Item	December 31, 2011					
	Claim reserve					
	Claim reported and paid off		Unreported claim		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$49,595	\$1,638	\$80,708	\$2,666	\$130,303	\$4,304
Marine insurance	32,697	1,080	14,974	495	47,671	1,575
Liability insurance	42,036	1,389	10,262	339	52,298	1,728
Bonding insurance	1,047	35	4,253	141	5,300	176
Accident insurance	-	-	10	-	10	-
Other property insurance	43,294	1,430	46,172	1,525	89,466	2,955
Total	<u>\$168,669</u>	<u>\$5,572</u>	<u>\$156,379</u>	<u>\$5,166</u>	<u>\$325,048</u>	<u>\$10,738</u>

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- b. Reinsurance asset- Ceded claim reserve for policyholder who reported claim but not yet paid off or unreported claim:

December 31, 2012						
Ceded claim reserve						
Item	Claim reported and paid off		Unreported claim		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$104,849	\$3,609	\$1,901	\$66	\$106,750	\$3,675
Marine insurance	14,071	485	9,130	314	23,201	799
Liability insurance	29,630	1,020	43,746	1,506	73,376	2,526
Bonding insurance	-	-	635	22	635	22
Other property insurance	7,847	270	14,709	506	22,556	776
Total	<u>\$156,397</u>	<u>\$5,384</u>	<u>\$70,121</u>	<u>\$2,414</u>	<u>\$226,518</u>	<u>\$7,798</u>

December 31, 2011						
Ceded claim reserve						
Item	Claim reported and paid off		Unreported claim		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$28,041	\$926	\$53,603	\$1,771	\$81,644	\$2,697
Marine insurance	7,918	262	7,474	247	15,392	509
Liability insurance	16,212	536	4,888	161	21,100	697
Bonding insurance	310	10	685	23	995	33
Other property insurance	2,623	87	9,000	297	11,623	384
Total	<u>\$55,104</u>	<u>\$1,821</u>	<u>\$75,650</u>	<u>\$2,499</u>	<u>\$130,754</u>	<u>\$4,320</u>

- c. Reconciliation statement for claim reserve and ceded claim reserve:

For the year ended December 31, 2012				
Item	Claim reserve		Ceded claim reserve	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$325,048	\$11,189	\$130,754	\$4,501
Reserve	765,245	26,342	227,540	7,833
Recover	(317,125)	(10,917)	(127,567)	(4,391)
Gains on foreign exchange	(11,362)	(390)	(4,209)	(145)
Ending balance	<u>\$761,806</u>	<u>\$26,224</u>	<u>\$226,518</u>	<u>\$7,798</u>

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Item	For the year ended December 31, 2011			
	Claim reserve		Ceded claim reserve	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$167,760	\$5,542	\$90,768	\$2,999
Reserve	307,966	10,174	123,883	4,093
Recover	(173,038)	(5,717)	(93,624)	(3,093)
Losses on foreign exchange	22,360	739	9,727	321
Ending balance	<u>\$325,048</u>	<u>\$10,738</u>	<u>\$130,754</u>	<u>\$4,320</u>

C. Premium deficiency reserve:

a. Premium deficiency reserve and ceded premium deficiency reserve:

Item	December 31, 2012 (NT\$)			
	Premium deficiency reserve		Ceded premium deficiency reserve	Retained business
	Direct business	Assumed reinsurance business	Ceded reinsurance business	
Fire insurance	\$6,198	\$23	\$-	\$6,221
Marine insurance	248	-	74	174
Liability insurance	13,059	10	-	13,069
Bonding insurance	115	-	7	108
Other property insurance	35,659	435	34	36,060
Accident insurance	-	194	-	194
Total	<u>\$55,279</u>	<u>\$662</u>	<u>\$115</u>	<u>\$55,826</u>

Item	December 31, 2012 (US\$)			
	Premium deficiency reserve		Ceded premium deficiency reserve	Retained business
	Direct business	Assumed reinsurance business	Ceded reinsurance business	
Fire insurance	\$213	\$1	\$-	\$214
Marine insurance	9	-	3	6
Liability insurance	450	-	-	450
Bonding insurance	4	-	-	4
Other property insurance	1,227	15	1	1,241
Accident insurance	-	7	-	7
Total	<u>\$1,903</u>	<u>\$23</u>	<u>\$4</u>	<u>\$1,922</u>

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December 31, 2011 (NT\$)				
Item	Premium deficiency reserve		Ceded premium deficiency reserve	Retained business
	Direct business	Assumed reinsurance business	Ceded reinsurance business	
Marine insurance	\$1	\$-	\$-	\$1
Liability insurance	116	-	-	116
Other property insurance	-	11	-	11
Bonding insurance	3,316	51	-	3,367
Total	\$3,433	\$62	\$-	\$3,495

	December 31, 2011 (US\$)			
	Premium deficiency reserve		Ceded premium deficiency reserve	
Item	Direct business	Assumed reinsurance business	Ceded reinsurance business	Retained business
Marine insurance	\$-	\$-	\$-	\$-
Liability insurance	4	-	-	4
Other property insurance	-	-	-	-
Bonding insurance	109	2	-	111
Total	\$113	\$2	\$-	\$115

b. Recognized net loss for premium deficiency reserve- Net changes for premium deficiency reserve and ceded premium deficiency reserve:

For the year ended December 31, 2012 (NT\$)									
Item	Direct underwriting business		Assumed reinsurance business		premium deficiency reserve	Ceded reinsurance business		Ceded premium deficiency reserve	Recognized net loss (gain) for premium deficiency reserve
	Reserve	Recover	Reserve	Recover	Net change	Reserve	Recover	Net change	
	(1)	(2)	(3)	(4)	(5)=(1)-(2)+(3)-(4)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	\$6,198	\$-	\$23	\$-	\$6,221	\$-	\$-	\$-	\$6,221
Marine insurance	248	1	-	-	247	74	-	74	173
Liability insurance	13,059	-	10	-	13,069	-	-	-	13,069
Bonding insurance	115	113	-	-	2	7	-	7	(5)
Other property insurance	35,659	3,220	435	50	32,824	34	-	34	32,790
Accident insurance	-	-	194	11	183	-	-	-	183
Total	\$55,279	\$3,334	\$662	\$61	\$52,546	\$115	\$-	\$115	\$52,431

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For the year ended December 31, 2012 (US\$)

Item	Direct underwriting business		Assumed reinsurance business		premium deficiency reserve	Ceded reinsurance business		Ceded premium deficiency reserve	Recognized net loss (gain) for premium deficiency reserve
	Reserve	Recover	Reserve	Recover	Net change	Reserve	Recover	Net change	reserve
	(1)	(2)	(3)	(4)	(5)=(1)-(2)+(3)-(4)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	\$213	\$-	\$1	\$-	\$214	\$-	\$-	\$-	\$214
Marine insurance	9	-	-	-	9	3	-	3	6
Liability insurance	450	-	-	-	450	-	-	-	450
Bonding insurance	4	4	-	-	-	-	-	-	-
Other property insurance	1,227	111	15	2	1,129	1	-	1	1,128
Accident insurance	-	-	7	-	7	-	-	-	7
Total	\$1,903	\$115	\$23	\$2	\$1,809	\$4	\$-	\$4	\$1,805

For the year ended December 31, 2011 (NT\$)

Item	Direct underwriting business		Assumed reinsurance business		premium deficiency reserve	Ceded reinsurance business		Ceded premium deficiency reserve	Recognized net loss for premium deficiency reserve
	Reserve	Recover	Reserve	Recover	Net change	Reserve	Recover	Net change	reserve
	(1)	(2)	(3)	(4)	(5)=(1)-(2)+(3)-(4)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(8)
Marine insurance	\$1	\$37	\$-	\$-	\$(36)	\$-	\$13	\$(13)	\$(23)
Liability insurance	110	-	-	-	110	-	-	-	110
Bonding insurance	3,141	1,028	48	31	2,130	-	-	-	2,130
Other property insurance	-	-	11	-	11	-	-	-	11
Total	\$3,252	\$1,065	\$59	\$31	\$2,215	\$-	\$13	\$(13)	\$2,228

For the year ended December 31, 2011 (US\$)

Item	Direct underwriting business		Assumed reinsurance business		premium deficiency reserve	Ceded reinsurance business		Ceded premium deficiency reserve	Recognized net loss for premium deficiency reserve
	Reserve	Recover	Reserve	Recover	Net change	Reserve	Recover	Net change	reserve
	(1)	(2)	(3)	(4)	(5)=(1)-(2)+(3)-(4)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(8)
Marine insurance	\$-	\$1	\$-	\$-	\$(1)	\$-	\$-	\$-	\$(1)
Liability insurance	4	-	-	-	4	-	-	-	4
Bonding insurance	104	34	2	1	71	-	-	-	71
Total	\$108	\$35	\$2	\$1	\$74	\$-	\$-	\$-	\$74

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c. Reconciliation statement for claim reserve and ceded claim reserve:

Item	For the year ended December 31, 2012			
	Claim reserve		Ceded claim reserve	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$3,495	\$120	\$-	\$-
Reserve	56,194	1,935	116	4
Recover	(3,410)	(117)	-	-
Gains on foreign exchange	(338)	(12)	(1)	-
Ending balance	<u>\$55,941</u>	<u>\$1,926</u>	<u>\$115</u>	<u>\$4</u>

Item	For the year ended December 31, 2011			
	Claim reserve		Ceded claim reserve	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$1,063	\$35	\$12	\$-
Reserve	3,311	109	-	-
Recover	(1,096)	(36)	(13)	-
Losses on foreign exchange	217	7	1	-
Ending balance	<u>\$3,495</u>	<u>\$115</u>	<u>\$-</u>	<u>\$-</u>

d. Effects for the change of estimation and assumption:

Cathay Century (China) use future cash flow method to measure its unearned reserves and recognize the excess amount of incurred reserve to net profit. In contrast, do not make any adjustment.

③ Cathay Century (Vietnam)

A. Unearned premium reserve:

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

Item	December 31, 2012 (NT\$)			
	Unearned premium reserve		Ceded unearned premium reserve	
	Direct business	Assumed reinsurance business	Ceded reinsurance business	Retained business
Fire insurance	\$1,519	\$-	\$-	\$1,519
Marine insurance	(1,092)	-	-	(1,092)
Land and air insurance	10,371	-	-	10,371
Liability insurance	1,451	-	-	1,451
Other property insurance	3,640	-	-	3,640
Accident insurance	2,900	-	-	2,900
Total	<u>\$18,789</u>	<u>\$-</u>	<u>\$-</u>	<u>\$18,789</u>

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December 31, 2012 (US\$)				
Item	Unearned premium reserve		Ceded unearned premium reserve	Retained business
	Direct business	Assumed reinsurance business	Ceded reinsurance business	
		business	business	
Fire insurance	\$52	\$-	\$-	\$52
Marine insurance	(37)	-	-	(37)
Land and air insurance	357	-	-	357
Liability insurance	50	-	-	50
Other property insurance	125	-	-	125
Accident insurance	100	-	-	100
Total	\$647	\$-	\$-	\$647

December 31, 2011 (NT\$)				
Item	Unearned premium reserve		Ceded unearned premium reserve	Retained business
	Direct business	Assumed reinsurance business	Ceded reinsurance business	
		business	business	
Fire insurance	\$1,509	\$-	\$-	\$1,509
Marine insurance	34	-	-	34
Land and air insurance	4,828	-	-	4,828
Liability insurance	94	-	-	94
Other property insurance	(760)	-	-	(760)
Accident insurance	1,556	-	-	1,556
Total	\$7,261	\$-	\$-	\$7,261

December 31, 2011 (US\$)				
Item	Unearned premium reserve		Ceded unearned premium reserve	Retained business
	Direct business	Assumed reinsurance business	Ceded reinsurance business	
		business	business	
Fire insurance	\$50	\$-	\$-	\$50
Marine insurance	1	-	-	1
Land and air insurance	160	-	-	160
Liability insurance	3	-	-	3
Other property insurance	(25)	-	-	(25)
Accident insurance	51	-	-	51
Total	\$240	\$-	\$-	\$240

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- b. Reconciliation statement for unearned premium reserve and ceded unearned premium reserve:

Item	For the year ended December 31, 2012			
	Unearned premium reserve		Ceded unearned premium reserve	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$7,261	\$250	\$-	\$-
Reserve	19,138	659	-	-
Recover	(7,156)	(246)	-	-
Gains on foreign exchange	(454)	(16)	-	-
Ending balance	<u>\$18,789</u>	<u>\$647</u>	<u>\$-</u>	<u>\$-</u>

Item	For the year ended December 31, 2011			
	Unearned premium reserve		Ceded unearned premium reserve	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$70	\$2	\$-	\$-
Reserve	7,182	237	-	-
Recover	(67)	(2)	-	-
Losses on foreign exchange	76	3	-	-
Ending balance	<u>\$7,261</u>	<u>\$240</u>	<u>\$-</u>	<u>\$-</u>

B. Claim reserve:

- a. Liability claim for policyholder who reported claim but not yet paid off or unreported claim:

Item	December 31, 2012					
	Claim reserve					
	Claim reported and paid off		Unreported claim		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$14,048	\$483	\$227	\$8	\$14,275	\$491
Marine insurance	916	32	24	1	940	33
Land and air insurance	1,923	66	1,112	38	3,035	104
Liability insurance	-	-	(54)	(2)	(54)	(2)
Other property insurance	-	-	99	3	99	3
Accident insurance	24	1	252	9	276	10
Total	<u>\$16,911</u>	<u>\$582</u>	<u>\$1,660</u>	<u>\$57</u>	<u>\$18,571</u>	<u>\$639</u>

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Item	December 31, 2011					
	Claim reserve					
	Claim reported and paid off		Unreported claim		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$139	\$5	\$25	\$1	\$164	\$6
Marine insurance	-	-	19	1	19	1
Land and air insurance	78	3	367	12	445	15
Liability insurance	-	-	7	-	7	-
Other property insurance	-	-	62	2	62	2
Accident insurance	286	9	132	4	418	13
Total	\$503	\$17	\$612	\$20	\$1,115	\$37

b. Reconciliation statement for claim reserve and ceded claim reserve:

Item	For the year ended December 31, 2012			
	Claim reserve		Ceded claim reserve	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$1,115	\$38	\$-	\$-
Reserve	18,917	651	-	-
Recover	(1,016)	(35)	-	-
Gains on foreign exchange	(445)	(15)	-	-
Ending balance	\$18,571	\$639	\$-	\$-

Item	For the year ended December 31, 2011			
	Claim reserve		Ceded claim reserve	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Beginning balance	\$-	\$-	\$-	\$-
Reserve	1,103	37	-	-
Recover	-	-	-	-
Losses on foreign exchange	12	-	-	-
Ending balance	\$1,115	\$37	\$-	\$-

20.Common stock

- (1) As of December 31, 2012 and 2011, the authorized share capital amounted NT\$120,000,000 (US\$4,130,809) thousands, and the issued share capital amounted NT\$108,653,851 (US\$3,740,236) thousands and NT\$103,575,096 (US\$3,421,708) thousands, respectively.

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- (2) The recapitalization of undistributed earnings of NT\$5,078,755 (US\$174,828) thousands by issuing 507,875 thousand shares with par value of NT\$10 (US\$0.34) was resolved by the Company's shareholders' meeting on June 15, 2012 and approved by the Financial Supervisory commission on July 12, 2012. The recapitalization record date was August 14, 2012.
- (3) The recapitalization of undistributed earnings of NT\$ 2,030,884 (US\$67,092) thousands by issuing 203,088 thousand shares with par value of NT\$10 (US\$0.33) was resolved by the Company's shareholders' meeting on June 10, 2011 and approved by the Financial Supervisory commission on July 5, 2011. The recapitalization record date was August 5, 2011.
- (4) On December 31, 2001, the Company listed its shares on Taiwan Stock Exchange Corporation (TSE) in accordance with relevant regulations. Since July 29, 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depositary Shares (GDSs).

21.Capital surplus

- (1) The capital surplus of the Company consists of consolidation premium from share exchange, accumulated adjustments on paid-in capital from investment under equity method, and paid-in capital from treasury stocks. Capital surplus were NT\$78,596,121 (US\$2,705,546) thousands and NT\$78,508,148 (US\$2,593,596) thousands as of December 31, 2012 and 2011, respectively. Retained earnings from certain subsidiaries of the Company before the stock exchange of formation of the financial holding company amounted to NT\$267,215 (US\$9,198) thousands were included in the capital surplus as of both December 31, 2012 and 2011. The stock warrants consist of equity component recognized from convertible bonds issued in 2012 amounted NT\$87,973 (US\$3,028) thousands.
- (2) The capital surplus of par value through the conversion of shares was generated from the transfer of the shares of the subsidiaries to the Company. In compliance with Item 4 of Article 47 of the Financial Holding Company Act, the portion of capital surplus from the share exchange which comes from the original financial institution's undistributed earnings is allowed to be distributed as cash dividends or to be capitalized.
- (3) In addition, pursuant to the Company Act, capital surplus can only be used to offset a deficit or to increase share capital. Capital surplus cannot be distributed as cash dividends. In compliance with Item 1 of Article 72 of Criteria Governing the Offering and Issuance of Securities by Securities Issuers, Capital Increase by Earnings Recapitalization shall not exceed 10% of total paid in capital and can be capitalized one year after the approval of the competent authority.

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22. Retained earnings

(1) Legal reserve

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

(2) Special reserve

A. In accordance with SFB regulations, in addition to the legal reserve retained, the Company should provide a special reserve of equal amount for any current year shareholders' equity contra account (such as unrealized losses of financial instruments, cumulative conversion adjustments, and net loss not yet recognized as net pension cost, etc.) from the current year's earnings after tax or prior years' inappropriate earnings. However, the special reserve of equal amounts for prior years' accumulated shareholders' equity contra accounts should only be provided from prior years' inappropriate earnings. If a reversal of shareholders' equity contra account occurs, the reversed portion of the special reserve could be distributed.

B. For Cathay United Bank, Cathay Securities and Cathay Future, the remaining balance should be reclassified as special reserve as of December 31, 2010 according to the related regulation. The special reserve may be used at any time to offset the accumulated deficit, if any. Once the legal reserve reaches one-half of the paid-in capital, up to 50% of the special reserve may be transferred to capital stock.

C. Cathay Life's special reserves for major incidents and special reserve for fluctuation of risks should be recorded as special reserve at the end of this year. As of December 31, 2012 and 2011, the reserves amounted to NT\$1,119,727 (US\$38,545) thousands and NT\$741,951 (US\$24,511) thousands, respectively.

D. Cathay Century's special reserves for major incidents and special reserve for fluctuation of risks should be recorded as special reserve at the end of this year. As of December 31, 2012 and 2011, the reserves amounted to NT\$407,498 (US\$14,027) thousands and NT\$462,480 (US\$15,278) thousands, respectively.

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(3) Undistributed earnings

- A. According to the Company Act and the Company's articles of incorporation, 10% of the Company's annual earnings, after paying tax and offsetting deductions, if any, shall be appropriated as legal reserve and then 0.01%~0.05% of the remaining amount for employees' bonus. Finally, the remainder after deducting for the aforementioned items must be appropriated in accordance with the resolutions passed at the shareholders' meeting.
- B. On June 15, 2012, the shareholders' meeting resolved the distribution of earnings of NT\$1.0 (US\$0.04) per share for the year of 2011. The cash and stock dividends with record dates are NT\$0.5 (US\$0.02) and NT\$0.5 (US\$0.02) on July 9 and August 14, 2012, respectively.
- C. On June 10, 2011, the shareholders' meeting resolved the distribution of earnings of NT\$0.8 (US\$0.03) per share for the year of 2010. The cash and stock dividends with record dates are NT\$0.6 (US\$0.2) and NT\$0.2 (US\$0.01) on July 4 and August 5, 2011, respectively.
- D. The Company is required to pay 10% surtax in the forthcoming tax year for undistributed earnings.
- E. Pursuant to the explanatory letter of SFB on January 27, 2006, the Company is required to appropriate a special reserve in the amount equal to unrealized loss of financial instruments, cumulative conversion adjustments, and net loss not yet recognized as net pension cost expect for the special reserve since 2007.
- F. Dividends policy
- The Company's dividends policy is to distribute dividends in stock in order to retain sufficient cash for operations. Excess cash from retained earnings after taking into account operating needs may be distributed in cash; moreover cash dividends must be a minimum of 10% of the total dividends declared.
- G. The estimation of employee bonus and remuneration of directors for the year ended December 31, 2012 and 2011 were NT\$6,945 (US\$239) and NT\$6,886 (US\$227) based on the average actual payment over the past three year and recognized as operating expense. Resolution approved at the next year shareholders' meeting might differ from the estimation mentioned above and the difference, if any, will be recognized as income or expense in the next year.

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The Company distributed \$6,416 (US\$221) thousands of employee bonus and directors compensation for 2011. The difference of \$470 (US\$16) thousands exists between the actual and accrual amount recorded in year 2011 by the financial statements were recorded in the year ended December 31, 2012.

H. The Company's distribution of 2012 retained earnings has not been approved by the board of directors as of the independent auditor's opinion date. For related information please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

23. Treasury stock

The following is a summary of the movement of treasury stock For the year ended December 31, 2012 and 2011:

December 31, 2012										
Reason for acquisition	In thousands of shares			Book value		Book value per share		Market value per share		
	January 1,			December						
	2012	Increase	Decrease	31, 2012	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT \$)	(US\$)
Shares acquired through share exchange from merger transaction	200,000	-	-	200,000	\$7,179,872	\$247,156	\$35.90	\$1.24	\$31.50	\$1.08
December 31, 2011										
Reason for acquisition	In thousands of shares			Book value		Book value per share		Market value per share		
	January 1,			December						
	2011	Increase	Decrease	31, 2011	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Shares acquired through share exchange from merger transaction	-	200,000	-	200,000	\$7,179,872	\$237,194	\$35.90	\$1.19	\$32.70	\$1.08

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24. Operating Expense

For the years ended December 31, 2012 and 2011, personnel expense, depreciation and amortizations are summarized below:

	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Personnel expenses				
Salary and wages	\$25,673,680	\$883,776	\$24,212,658	\$799,890
Labor & health insurance expenses	3,128,323	107,687	2,922,226	96,539
Pension expenses	1,924,995	66,265	1,747,797	57,740
Other expenses	2,177,100	74,943	2,055,646	67,910
Depreciation	3,613,781	124,399	3,664,242	121,052
Amortization	430,849	14,831	450,739	14,891

25. Estimated income taxes

(1) Income tax expenses include the following:

	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Adjusted income tax calculates on				
accounting income	\$2,777,526	\$95,612	\$4,855,951	\$160,421
Plus (Less): Alternative minimum tax				
payable	92,560	3,186	84,802	2,802
Withholding tax for overseas				
investments	97,377	3,352	27,809	919
Tax effects under consolidated				
income tax	51,727	1,781	42,099	1,391
Deferred income tax benefits	(3,400,898)	(117,071)	(6,920,961)	(228,641)
Adjustment of income tax	249,856	8,601	152,558	5,039
Income tax credit	12,478	429	15,144	500
Other	81,711	2,813	76,008	2,511
Total income tax expense (benefits)	<u><u>\$(37,663)</u></u>	<u><u>\$(1,297)</u></u>	<u><u>\$(1,666,590)</u></u>	<u><u>\$(55,058)</u></u>

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(2) Deferred income tax liabilities and assets are as follows:

	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Total deferred tax assets	\$21,413,604	\$737,129	\$17,989,378	\$594,297
Total deferred tax liabilities	\$1,202,368	\$41,390	\$928,545	\$30,675
Allowance for deferred assets	\$890,866	\$30,666	\$189,769	\$6,269
Temporary differences:				
Pension expense	\$1,670,031	\$57,488	\$1,439,862	\$47,567
Unrealized exchange losses	79,917,742	2,751,041	47,001,046	1,552,727
(Gains) losses from valuation on financial assets and liabilities	(2,662,399)	(91,649)	12,743,142	420,983
Allowance for bad debts	4,289,032	147,643	1,888,036	62,373
Operating loss carry-forward	43,668,153	1,503,207	29,561,124	976,582
Other difference	173,972	5,989	(265,339)	(8,766)
Total	\$127,056,531	\$4,373,719	\$92,367,871	\$3,051,466
Tax effect under consolidated income tax system	\$(2,340,983)	\$(80,585)	\$1,021,352	\$33,741
Deferred income tax assets of foreign branches	\$943,853	\$32,491	\$261,863	\$8,651
Investment tax credit	\$8,755	\$301	\$75,080	\$2,480
	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Deferred tax assets	\$21,413,604	\$737,129	\$17,989,378	\$594,297
Allowance for deferred tax assets	(890,866)	(30,666)	(189,769)	(6,269)
Net deferred tax assets	20,522,738	706,463	17,799,609	588,028
Deferred tax liabilities	(1,202,368)	(41,390)	(928,545)	(30,675)
Net offset balance of deferred tax assets	\$19,320,370	\$665,073	\$16,871,064	\$557,353

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

The applicable income tax rate of the Company and its subsidiaries were 17%.

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(3) Income tax returns:

December 31, 2012		
	Income tax returns examined by tax authorities	Notes
The Company	through 2006	The Company was in the process of administrative litigation for 2003, 2004 and 2005 tax return, and re-examination of 2006 tax returns.
Cathay Life	through 2006	Cathay Life was in the process of administrative litigation for 2003, 2004 and 2005 tax return, and re-examination of 2006 tax returns.
Cathay United Bank	through 2006	Cathay United Bank was in the process of administrative litigation for 2004 and 2005, and re-examination of 2006 tax returns.
Cathay Century	through 2006	Cathay Century as in the process of administrative litigation for 2003, 2004 and 2005, and re-examination of 2006 tax returns.
Cathay Securities	through 2006	-
Cathay Venture	through 2009	-
Cathay Securities Investment Trust	through 2010	Cathay Security Investment Trust has not examine for 2009 tax return.
Symphox Information	through 2009	-
Cathay Futures	through 2010	-

(4) Information related to imputation credit account:

December 31,				
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Balance of imputation credit account	\$1,665,811	\$57,343	\$1,063,636	\$35,138

The Company's distribution applicable to cash dividends-imputed tax credit ratio was 26.62%, stock dividends-imputed tax credit was 31.32% in 2011, and the actual distribution applicable to cash dividends-imputed tax credit was 25.56%, stock dividends-imputed tax credit was 25.56% in 2010.

(5) Information relating of undistributed retained earnings:

December 31,				
Year	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Prior to 1997	\$267,215	\$9,198	\$267,215	\$8,828
After 1998	20,031,074	689,538	14,303,983	472,546
Total	\$20,298,289	\$698,736	\$14,571,198	\$481,374

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The undistributed retained earnings prior to 1997 which derived from the undistributed retained earnings of the subsidiaries were included in the Company's capital surplus and were allowed to be distributed as cash dividends by the regulations.

26. Earnings per share

For the year ended December 31, 2012									
	Amount (Numerator)				Shares (in thousands of shares) denominator	EPS (in dollars)			
	Before income taxes		After income taxes			Before income taxes		After income taxes	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)	(NT\$)	(US\$)
Earnings per share-basic:									
Income attributable to									
common stock stockholders	\$17,020,374	\$585,899	\$17,058,037	\$587,196	10,665,385	\$1.60	\$0.06	\$1.60	\$0.06
Effect of dilutive potential									
ordinary shares:									
Effect of convertible bonds	\$206,215	\$7,099	\$206,215	\$7,099	199,901				
Earnings per share-diluted:									
Income attributable to									
common stock stockholders									
and effect of potential									
ordinary shares	\$17,226,589	\$592,998	\$17,264,252	\$594,295	10,865,286	\$1.59	\$0.05	\$1.59	\$0.05
For the year ended December 31, 2011									
	Amount (Numerator)				Shares (in thousands of shares) denominator	EPS (in dollars)			
	Before income taxes		After income taxes			Before income taxes		After income taxes	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)	(NT\$)	(US\$)
Earnings per share-basic:									
Income attributable to									
common stock stockholders	\$9,617,940	\$317,738	\$11,284,530	\$372,796	10,809,707	\$0.89	\$0.03	\$1.04	\$0.03
Effect of dilutive potential									
ordinary shares:									
Effect of convertible bonds	\$-	\$-	\$-	\$-	-				
Earnings per share-diluted:									
Income attributable to									
common stock stockholders									
and effect of potential									
ordinary shares	\$9,617,940	\$317,738	\$11,284,530	\$372,796	10,809,707	\$0.89	\$0.03	\$1.04	\$0.03

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27. Information of insurance contract

- (1) Cathy Life, Cathay Life (China) and Cathay Life (Vietnam)

Risk management objectives, policies, procedures and methods

A. Framework for risk management, organization structure and responsibilities

a. Board of directors

- (A) The board of directors should establish appropriate risk management function and culture, ratify appropriate risk management policy and allocate resources in the most effective manner.
- (B) The board of directors and senior management should promote and execute risk management policies and standards. Furthermore, they should ensure the policies and standards are in line with Cathy Life's operational objective and operational strategy.
- (C) The board of directors should acknowledge the risk of operation, ensure the effectiveness of risk management and assume the ultimate responsibility for risk management.
- (D) The board of directors should delegate authority to risk management department to deal with violation of risk quotas by other departments.

b. Risk management committee

- (A) The committee should draft the risk management policies, framework and organizational function to establish quantitative and qualitative risk management standards. The committee is also responsible to report the execution results to the board periodically and make necessary improvement suggestions.
- (B) The committee should execute the risk management decisions set by the board of directors and evaluate the development, implementation and results of execution of the risk management function
- (C) The committee should assist and monitor the risk management activities.

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(D) The committee should adjust the risk category, risk quota allocation and risk taking according to the change of the big environment.

(E) The committee should enhance cross-department interaction and communication.

c. Risk management department

(A) The department is responsible for monitoring, measuring and evaluating daily risks. The department should execute its authority independently from the operating department.

(B) The department should perform following function based on activity categories:

- ① Assist drafting and execute the risk management policies set by the board of directors.
- ② Assist determines the risk quotas based on risk appetite.
- ③ Summarize the risk information provided by all departments. Facilitate and communicate the execution of the policies as well as the risk quotas with departments.
- ④ Periodically provide risk management related reports.
- ⑤ Periodically monitor all operating department's risk quotas and manage the exceptions attributable to exceed the risk quotas granted.
- ⑥ Assist the pressure test. Execute back testing if necessary.
- ⑦ Other risk management issues.

d. Operating departments

(A) Managers of the operating departments:

- ① Responsible for the departments' daily risk management report and respond to issues if necessary.
- ② Make sure to delivery risk management information periodically to the risk management department.

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(B) Operating departments:

- ① Address and measure risks and report the pervasiveness of exposure.
- ② Periodically review the risk quotas. If exception happens, report the exceptions as well as the actions taken.
- ③ Assist to develop the risk model. Ensure the measurement of risk, the usage of the model and the assumptions made are reasonable and has been applied consistently.
- ④ Ensure internal control operates effectively to comply with related regulation and company's risk management policies.
- ⑤ Assist gathering risk management related data.

e. Audit department

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

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

Cathy Life set its risk management standards based on markets, credibility, sovereign, liquidity, operations, insurance, risks of matching between assets / liability positions and the capital adequacy. The company also periodically provides the risk management report for monitoring Cathy Life's risks.

a. Market risk

The risk represents decrease in value of Cathay Life's financial asset due to the price fluctuation of the financial instrument market. Cathy Life applies the 95% and 99% confidence level as the benchmark to measure odd week market risk. Cathy Life also applies back testing periodically to the market risk to ensure accuracy of the model. Furthermore, Cathy Life applies scenario analysis and stress test to evaluate the change in value of the asset groups due to significant domestic and international incidences.

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b. Credit risk

This risk represents Cathy Life's loss due to the default of debtors. The measurements that Cathy Life uses include credit rating, concentration analysis and value at risk (VAR). Cathy Life also periodically applies back-testing to the credit risk to ensure accuracy of the model. Furthermore, Cathy Life applies scenario analysis and stress test to evaluate the change in value of the asset groups due to significant domestic and international incidences.

c. Sovereign risk

This represents risks of Cathy Life's investment positions caused by changes of the local government's politics or economy further causes price fluctuation or default that eventually results in a loss. Cathy Life takes international credit ranking companies' ranking and other economy indexes into consideration to set the investment ceiling for specific countries. Cathy Life review and adjust the ceiling periodically.

d. Liquidity risk

Liquidity risks include "Funding liquidity risk" and "Market liquidity risk". Funding liquidity risk is the risk of insufficient funding to meet Cathy Life's commitment when due. Cathy Life uses current ratio to measure funding liquidity risk and manages to maintain the ratio below high risk. Operating departments have established funding communication system. The risk management department manages funding liquidity based on the information provided by the operating departments. Furthermore, operating departments have also built up their own cash flow analysis models and monitor the result of the analysis. They also set the annual assets allocation plan to better maintain the liquidity of funding. "Market liquidity risk" occurs when the market is under turmoil or lack of market depth further cause the drastic change of market price. All investment departments have evaluated the market liquidity risk based on the characteristics and intentions of current investment portfolio.

e. Operating risk

This risk occurs when there are errors caused by internal process, employee or system breakdown or external issues including legislative risks but strategic risk and reputation risks. Cathy Life had set the standard operating procedure based all characteristics of operations meanwhile established losses reporting system to manage operating risk losses information.

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f. Insurance risk

This risk occurs after collecting premium from the policy holder. Cathy Life assumed the risk transferred from the policy holder and when the company pays the claim, due to unexpected change Cathy Life assumed a loss. This generally happens because of the policy design, pricing risks, underwriting risks, reinsurance risks, catastrophe risks, claim risks and reserve related risks.

g. Asset and liability matching risk

The type of risks happens when the changes in value of assets and liability are not equal. Cathy Life measures the risk by referencing capital costs, duration, cash flow management and scenario analysis.

h. Capital adequacy rate

Capital adequacy ratio is defined by Insurance Act and Regulations Governing Capital Adequacy of Insurance Companies. Cathy Life applies capital adequacy rate as the index of capital adequacy.

C. Manage the process of assuming, measuring, monitoring and controlling risks to ensure proper risk classification, premium level and underwriting policies.

a. The process of assuming, measuring, monitoring and controlling risks:

- ① Promulgate Cathy Life's risk management standards including the definition and range of risk, management structure, risk management indexes and other risk management measures.
- ② Establish methods to evaluate insurance risks.
- ③ Periodically provide the insurance risk management report to the risk management committee for supervising insurance risks and developing insurance risk management strategies.
- ④ When a risk exceptional incidence occur, related departments should draft the possible solution and submit it to the risk management committee and Cathay Financial Holding's risk management committee.

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b. Ensure proper risk classification and underwriting policies of premium level:

- ① Underwriters should ensure clients' financial underwriting, checking insurance notification for exceptions, considering the amount insured, types of insurance, age, family members, reason for insurance, employment, etc. to confirm client's appropriateness of the amount insured and the ability to meet premium deadlines.
- ② Cathy Life has an underwriter team dealing with controversy events such as new type of contracts and change of security systems and clarifying related underwriting standards.
- ③ Cathy Life has a judging team for highly insured projects to enhance its risk management and prevent adverse selection and moral hazard.

D. Evaluation based on the enterprise taken as a whole and range of managing insurance risks.

a. Evaluation of insurance risks include the following risks:

- ① Product design and pricing risks: This type of risk arises from improper design of products, inappropriate policies, inappropriate pricing, referencing the wrong source of information, inconsistency and unexpected changes.
- ② Underwriting risks: Unexpected losses arise from promoting business, underwriting activities and approval, other expenditure activities etc.
- ③ Reinsurance risks: This type of risk arises from failing to reinsure the excess risk or reinsurer fails to fulfill its responsibility that results in loss in premium, claims or non-reimbursed expenses.
- ④ Catastrophe risks: This type of risk arises from accidents that cause a type or more than one type of insurance a loss which in aggregate might affect Cathy Life's credit rating and solvency.
- ⑤ Claim risks: This type of risk arises from inappropriate operation or mistakes while handling claim.
- ⑥ Risks of insufficient reserve: This type of risk arises from insufficient reserve due to underestimate of liability.

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b. Range of managing insurance risks

- ① Establish Cathy Life's insurance risk management standards as the guidance of performing risk management.
- ② Establish Cathy Life's insurance risk management standards including the definition and range of risks, management structure, risk management index and other risk management measures.
- ③ Draft action plans for matching Cathy Life's expanding strategy and response to the changes of financial environment worldwide.
- ④ Establish measurement methods for insurance risks.
- ⑤ Periodically provide insurance risks management report for monitoring insurance risk and drafting insurance managing strategy.
- ⑥ Other issues related to insurance risks management.

E. Methods to limit or transfer insurance risk exposure and to prevent inappropriate concentration of risks

The method that Cathy Life mainly uses to limit or transfer insurance risk exposure and to prevent inappropriate concentration of risks is the reinsurance managing plan. The company estimates the risk that Cathy Life is able to assume including characteristics of the risk, regulation issues and development technique factors all together to determine the range of reinsurance. In order to maintain safety of risk transfer and control the risk of reinsurance transactions, Cathy Life has established reinsurer selection standards.

F. Methods for managing assets and liabilities

- a. Cathy Life has assets and liabilities managing committee to ensure full application of the managing policy, establish management structure, integrate human capital and resources, review the strategy and practice periodically and further reduce all types of risks.
- b. Responsible departments will review the measurement of the matching risks of assets and liabilities periodically. The reports will be sent to the risk management committee. Furthermore, the reports should be delivered to the risk management committee of Cathay Financial Holding annually.

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c. When exceptional situation occur, related departments should hold a meeting to find possible actions plan and deliver the report to assets and liabilities managing committee, risk management committee and the risk management committee of the Company.

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

To comply with laws and regulation, Cathy Life is required to maintain its capital adequacy rate in a certain rage. In order to enhance Cathy Life's capital management and maintain its capital adequacy ratio, Cathy Life has established a set of capital adequacy management standards as following:

a. Capital adequacy management

- ① Periodically provide capital adequacy management reports and analysis to the financial department of Cathay Financial Holding.
- ② Periodically provide the risk management committee the capital adequacy management analysis report.
- ③ Practice scenario analysis for capital adequacy ratio focusing on Cathy Life's usage of funding, changes of the financial environment including updates of laws and regulations.
- ④ Periodically review the capital adequacy rate and related control standards to fulfill the management of capital adequacy.

b. Exception management process

When Cathy Life's capital adequacy rate exceeds the risk management standard or other exceptions occur, Cathy Life is required to notify the risk management department and financial department of the Company enclosed with capital adequacy analysis report and related planned actions reports.

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Information of Insurance Risk

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

a. Cathay Life

		December 31, 2012 (NT\$)			
		Change in supposition	Change in income before tax	Change in stockholders' equity	
Life table/Morbidity	×1.05 (×0.95)		Decrease (increase) 2,037,788	Decrease (increase) 1,691,364	
Expense	×1.05 (×0.95)		Decrease (increase) 2,642,541	Decrease (increase) 2,193,309	
Surrender rates	×1.05 (×0.95)		Increase (decrease) 322,635	Increase (decrease) 276,087	
Investment return rate	+0.1%		Increase 2,945,451	Increase 2,444,724	
Investment return rate	-0.1%		Decrease 2,948,340	Decrease 2,447,122	
		December 31, 2012 (US\$)			
		Change in supposition	Change in income before tax	Change in stockholders' equity	
Life table/Morbidity	×1.05 (×0.95)		Decrease (increase) 70,148	Decrease (increase) 58,223	
Expense	×1.05 (×0.95)		Decrease (increase) 90,965	Decrease (increase) 75,501	
Surrender rates	×1.05 (×0.95)		Increase (decrease) 11,106	Increase (decrease) 9,504	
Investment return rate	+0.1%		Increase 101,392	Increase 84,156	
Investment return rate	-0.1%		Decrease 101,492	Decrease 84,238	
		December 31, 2011 (NT\$)			
		Change in supposition	Change in income before tax	Change in stockholders' equity	
Life table/Morbidity	×1.05 (×0.95)		Decrease (increase) 2,006,254	Decrease (increase) 1,665,191	
Expense	×1.05 (×0.95)		Decrease (increase) 2,440,125	Decrease (increase) 2,025,304	
Surrender rates	×1.05 (×0.95)		Increase (decrease) 319,189	Increase (decrease) 264,926	
Investment return rate	+0.1%		Increase 2,712,005	Increase 2,250,964	
Investment return rate	-0.1%		Decrease 2,714,674	Decrease 2,253,180	

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		December 31, 2011 (US\$)			
	Change in supposition	Change in income before tax		Change in stockholders' equity	
Life table/Morbidity	×1.05 (×0.95)	Decrease	(increase)	Decrease	(increase)
			66,279		55,011
Expense	×1.05 (×0.95)	Decrease	(increase)	Decrease	(increase)
			80,612		66,908
Surrender rates	×1.05 (×0.95)	Increase	(decrease)	Increase	(decrease)
			10,545		8,752
Investment return rate	+0.1%	Increase	89,594	Increase	74,363
Investment return rate	-0.1%	Decrease	89,682	Decrease	74,436

b. Cathay Life (China)

		December 31, 2012 (NT\$)			
	Change in supposition	Change in income before tax		Change in stockholders' equity	
Life table/Morbidity	×1.10(×0.90)	Decrease	(increase)	Decrease	(increase)
			33,798		25,348
Expense	×1.05(×0.95)	Decrease	(increase)	Decrease	(increase)
			32,500		24,375
Surrender rates	×1.10(×0.90)	Increase	(decrease)	Increase	(decrease)
			17,374		13,030
Investment return rate	+0.25%	Increase	112,403	Increase	84,302
Investment return rate	-0.25%	Decrease	122,476	Decrease	91,857

		December 31, 2012 (US\$)			
	Change in supposition	Change in income before tax		Change in stockholders' equity	
Life table/Morbidity	×1.10(×0.90)	Decrease	(increase)	Decrease	(increase)
			1,163		873
Expense	×1.05(×0.95)	Decrease	(increase)	Decrease	(increase)
			1,119		839
Surrender rates	×1.10(×0.90)	Increase	(decrease)	Increase	(decrease)
			598		449
Investment return rate	+0.25%	Increase	3,869	Increase	2,902
Investment return rate	-0.25%	Decrease	4,216	Decrease	3,162

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		December 31, 2011 (NT\$)			
		Change in supposition	Change in income before tax	Change in stockholders' equity	
Life table/Morbidity	×1.10(×0.90)	Decrease	(increase)	Decrease	(increase)
			8,653		6,490
Expense	×1.10(×0.95)	Decrease	(increase)	Decrease	(increase)
			28,166		21,124
Surrender rates	×1.10(×0.90)	Increase	(decrease)	Increase	(decrease)
			16,974		12,730
Investment return rate	+0.25%	Increase	82,982	Increase	62,236
Investment return rate	-0.25%	Decrease	90,645	Decrease	67,984

		December 31, 2011 (US\$)			
		Change in supposition	Change in income before tax	Change in stockholders' equity	
Life table/Morbidity	×1.10(×0.90)	Decrease	(increase)	Decrease	(increase)
			286		214
Expense	×1.10(×0.95)	Decrease	(increase)	Decrease	(increase)
			930		698
Surrender rates	×1.10(×0.90)	Increase	(decrease)	Increase	(decrease)
			561		421
Investment return rate	+0.25%	Increase	2,741	Increase	2,056
Investment return rate	-0.25%	Decrease	2,995	Decrease	2,246

c. Cathay Life (Vietnam)

		December 31, 2012 (NT\$)			
		Change in supposition	Change in income before tax	Change in stockholders' equity	
Life table/Morbidity	×1.05 (×0.95)	Decrease	(increase)	Decrease	(increase)
			243		182
Expense	×1.05 (×0.95)	Decrease	(increase)	Decrease	(increase)
			12,286		9,214
Surrender rates	×1.05 (×0.95)	Increase	(decrease)	Increase	(decrease)
			2,199		1,649
Investment return rate	+0.1%	Increase	1,438	Increase	1,079
Investment return rate	-0.1%	Decrease	1,440	Decrease	1,080

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December 31, 2012 (US\$)					
	Change in supposition	Change in income before tax		Change in stockholders' equity	
Life table/Morbidity	×1.05 (×0.95)	Decrease	(increase)	Decrease	(increase)
			8		6
Expense	×1.05 (×0.95)	Decrease	(increase)	Decrease	(increase)
			423		317
Surrender rates	×1.05 (×0.95)	Increase	(decrease)	Increase	(decrease)
			76		57
Investment return rate	+0.1%	Increase	50	Increase	37
Investment return rate	-0.1%	Decrease	50	Decrease	37
December 31, 2011 (NT\$)					
	Change in supposition	Change in income before tax		Change in stockholders' equity	
Life table/Morbidity	×1.05 (×0.95)	Decrease	(increase)	Decrease	(increase)
			72		54
Expense	×1.05 (×0.95)	Decrease	(increase)	Decrease	(increase)
			19,405		14,554
Surrender rates	×1.05 (×0.95)	Increase	(decrease)	Increase	(decrease)
			1,549		1,162
Investment return rate	+0.1%	Increase	1,402	Increase	1,052
Investment return rate	-0.1%	Decrease	1,404	Decrease	1,053
December 31, 2011 (US\$)					
	Change in supposition	Change in income before tax		Change in stockholders' equity	
Life table/Morbidity	×1.05 (×0.95)	Decrease	(increase)	Decrease	(increase)
			2		2
Expense	×1.05 (×0.95)	Decrease	(increase)	Decrease	(increase)
			641		481
Surrender rates	×1.05 (×0.95)	Increase	(decrease)	Increase	(decrease)
			51		38
Investment return rate	+0.1%	Increase	46	Increase	35
Investment return rate	-0.1%	Decrease	46	Decrease	35

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- ① Changes in income before tax listed above refer to the effects of income before tax in the profits and losses for the year ended December 31, 2012 by the assumption. Change of the stockholders' equity is assumed 17%, 25% and 25% of income tax rate has been used by Cathay Life, Cathay Life (China) and Cathay Life (Vietnam).
- ② Increase (decrease) 0.1% on discount rate applied to liability adequacy test has no impact on income before tax and stockholders' equity. The result of the test shows adequacy. However, if the discount rate keeps decreasing to significant degree, income before tax and stockholders' equity will probably be affected.
- ③ Test of sensitivity:
- (i) Life Table/Morbidity test is measured by mortality, morbidity and the occurrence rate of injury insurance multiply the change in supposition rate, in opposition to the change in income before tax.
- (ii) Expenses sensitivity is measured by all expenses listed on income statement of the first three quarter in 2012 (Note 1) multiply the change in supposition rate, in opposition to the change in income before tax.
- (iii) Surrender rate sensitivity test is measured by surrender rate multiply the change in supposition rate, in opposition to the change in income before tax.
- (iv) The rate of returns sensitivity test is measured by the rate of returns (Note 2) increases (decreases) the change in supposition rate, in opposition to income before tax.

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

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

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B. Interpretation of concentration on insurance risk

Cathy Life's insurance business is mainly from Taiwan, Republic of China. All the insurance contracts which have been signed have the similar risk of exposure, for example, the exposure of the unanticipated changes in trend (ex: mortality, morbidity, and lapse rate), the exposure of multiple insurance contracts caused by a specific event (ex: the simultaneous exposure of life insurance, health insurance, and accidental insurance caused by one earthquake). Cathy Life reduces the risk of exposure not only by monitoring the status of the risk continuously, but also buying reinsurance contracts.

Cathy Life reviews the profits and losses on compensation as a whole and the capability of assuming the risk periodically. Depending upon the feature of each risk, the company assesses the amount of coverage a company retains on that risk, also called "net line," as well as reviewed and approved by each competent authority. For the excess of net line, the company reinsures this portion of amount. At the same time, the company takes the possibility of suddenness of human and nature disasters into account periodically and estimates the reasonable maximum amount of compensation on retained risks. Depending upon the dollar amount of losses and the capability of assuming risks, the company makes the decision on whether it is necessary to adjust the insurance limits or reinsurance on disasters. Hence, the insurance risk to some extent has been spread out to reduce the potential impact on unanticipated losses.

Furthermore, according to "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.", the annual increase after-tax amount of special reserve for major accidents and special reserve for fluctuation of risks which is based upon the loss ratio of each type of insurance and used for the abnormal movement of compensation needs to be recognized and recorded in appropriated retained earnings of equity in accordance with the Statements of Financial Accounting Standards No. 22 since the beginning of 2011.

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C. Trend of the Development on Compensation

a. Cathay Life

① Direct business trend of development

Accident year	Development period (years) (NT\$)							Expected future payment
	1	2	3	4	5	6	7	
2006Q1~2006Q4	11,425,053	13,557,196	13,665,394	13,693,817	13,728,736	13,744,249	13,759,078	-
2007Q1~2007Q4	12,452,527	14,654,222	14,777,445	14,836,106	14,885,981	14,940,094	14,955,691	15,597
2008Q1~2008Q4	13,213,167	15,502,203	15,690,933	15,752,002	15,809,213	15,844,103	15,859,726	50,513
2009Q1~2009Q4	14,440,987	17,222,987	17,462,074	17,540,479	17,596,452	17,635,049	17,652,707	112,228
2010Q1~2010Q4	14,132,667	17,063,839	17,346,230	17,408,477	17,462,709	17,498,996	17,515,903	169,673
2011Q1~2011Q4	14,898,732	18,205,420	18,418,577	18,484,902	18,542,274	18,580,339	18,598,390	392,970
2012Q1~2012Q4	14,630,400	17,372,614	17,566,220	17,623,362	17,672,882	17,705,213	17,721,475	3,091,075

Expected future payment	\$3,832,056
Less : expected reported but not paid claim	(139,684)
Add: assumed reserve for incurred but not reported claim	41,732
Reserve for unreported claim	3,734,104
Add : reported but not paid claim	418,166
Reserve claim balance	<u>\$4,152,270</u>

Accident year	Development period (years) (US\$)							Expected future payment
	1	2	3	4	5	6	7	
2005Q4~2006Q4	393,289	466,685	470,409	471,388	472,590	473,124	473,634	-
2006Q4~2007Q4	428,658	504,448	508,690	510,709	512,426	514,289	514,826	537
2007Q4~2008Q4	454,842	533,639	540,135	542,238	544,207	545,408	545,946	1,739
2008Q4~2009Q4	497,108	592,874	601,104	603,803	605,730	607,058	607,666	3,863
2009Q4~2010Q4	486,495	587,395	597,116	599,259	601,126	602,375	602,957	5,841
2010Q4~2011Q4	512,865	626,693	634,030	636,313	638,288	639,599	640,220	13,527
2011Q4~2012Q4	503,628	598,025	604,689	606,656	608,361	609,474	610,033	106,405

Expected future payment	\$131,912
Less : expected reported but not paid claim	(4,808)
Add: assumed reserve for incurred but not reported claim	1,436
Reserve for unreported claim	128,540
Add : reported but not paid claim	14,395
Reserve claim balance	<u>\$142,935</u>

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**(Expressed in thousand of dollars except for share and per
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Retained business trend of development

Accident year	Development period (years) (NT\$)							Expected future payment
	1	2	3	4	5	6	7	
2006Q1~2007Q4	11,552,058	13,673,489	13,800,715	13,838,046	13,875,194	13,889,224	13,912,560	-
2007Q1~2008Q4	12,530,438	14,750,682	14,881,256	14,941,735	14,991,028	15,052,095	15,067,952	15,857
2008Q1~2009Q4	13,304,966	15,621,032	15,813,590	15,874,029	15,938,326	15,973,747	15,989,639	51,313
2009Q1~2010Q4	13,556,435	15,902,174	16,096,383	16,169,162	16,215,892	16,248,749	16,263,501	94,339
2010Q1~2011Q4	12,304,040	14,592,249	14,803,959	14,850,410	14,887,449	14,913,061	14,924,564	120,605
2011Q1~2012Q4	12,998,408	15,670,011	15,829,449	15,879,608	15,919,385	15,946,525	15,959,044	289,033
2012Q1~2012Q4	12,821,935	15,088,340	15,233,647	15,276,252	15,309,950	15,332,458	15,343,745	2,521,810

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

Expected future payment	\$3,092,957
Less : expected reported but not paid claim	(139,684)
Add : reported but not paid claim	418,166
Retained reserve claim balance	<u><u>\$3,371,439</u></u>

Accident year	Development period (years) (US\$)							Expected future payment
	1	2	3	4	5	6	7	
2006Q1~2007Q4	397,661	470,688	475,068	476,353	477,631	478,114	478,918	-
2007Q1~2008Q4	431,340	507,769	512,264	514,345	516,042	518,144	518,690	546
2008Q1~2009Q4	458,002	537,729	544,358	546,438	548,652	549,871	550,418	1,766
2009Q1~2010Q4	466,659	547,407	554,092	556,598	558,206	559,337	559,845	3,247
2010Q1~2011Q4	423,547	502,315	509,603	511,202	512,477	513,358	513,755	4,152
2011Q1~2012Q4	447,450	539,415	544,904	546,630	547,999	548,934	549,365	9,950
2012Q1~2012Q4	441,375	519,392	524,394	525,861	527,021	527,795	528,184	86,809

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

Expected future payment	\$106,470
Less : expected reported but not paid claim	(4,809)
Add : reported but not paid claim	14,395
Retained reserve claim balance	<u><u>\$116,056</u></u>

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② Cathay Life (China)

(A) Direct business trend of development

Accident year	Development period (years) (NT\$)							Expected future payment
	1	2	3	4	5	6	7	
2006Q1~2007Q4	26	51	53	53	53	53	53	-
2007Q1~2008Q4	783	3,148	3,160	3,160	3,160	3,160	3,160	-
2008Q1~2009Q4	8,993	17,321	18,087	18,087	18,087	18,087	18,087	-
2009Q1~2010Q4	49,583	112,041	117,922	117,922	117,922	117,922	117,922	-
2010Q1~2011Q4	93,208	186,536	198,475	198,475	198,475	198,475	198,475	-
2011Q1~2012Q4	172,199	357,911	363,655	363,655	363,655	363,655	363,655	5,744
2012Q1~2012Q4	309,385	660,270	660,270	660,270	660,270	660,270	660,270	350,885

Expected future payment	\$356,629
Less: expected reported but not paid claim	(36,142)
Add: assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	320,487
Add: reported but not paid claim	75,962
Reserve claim balance	<u>\$396,449</u>

Accident year	Development period (years) (US\$)							Expected future payment
	1	2	3	4	5	6	7	
2006Q1~2007Q4	1	2	2	2	2	2	2	-
2007Q1~2008Q4	27	108	109	109	109	109	109	-
2008Q1~2009Q4	310	596	623	623	623	623	623	-
2009Q1~2010Q4	1,707	3,857	4,059	4,059	4,059	4,059	4,059	-
2010Q1~2011Q4	3,209	6,421	6,832	6,832	6,832	6,832	6,832	-
2011Q1~2012Q4	5,928	12,320	12,518	12,518	12,518	12,518	12,518	198
2012Q1~2012Q4	10,650	22,728	22,729	22,729	22,729	22,729	22,729	12,078

Expected future payment	\$12,276
Less: expected reported but not paid claim	(1,244)
Add: assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	11,032
Add: reported but not paid claim	2,615
Reserve claim balance	<u>\$13,647</u>

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(B) Retained business trend of development

Accident year	Development period (years)							Expected future payment
	(NT\$)							
	1	2	3	4	5	6	7	
2006Q1~2007Q4	26	51	53	53	53	53	53	-
2007Q1~2008Q4	783	3,148	3,160	3,160	3,160	3,160	3,160	-
2008Q1~2009Q4	8,993	17,321	18,087	18,087	18,087	18,087	18,087	-
2009Q1~2010Q4	49,583	112,041	117,922	117,922	117,922	117,922	117,922	-
2010Q1~2011Q4	93,208	186,405	198,342	198,342	198,342	198,342	198,342	-
2011Q1~2012Q4	171,811	356,056	361,777	361,777	361,777	361,777	361,777	5,721
2012Q1~2012Q4	311,744	662,129	662,129	662,129	662,129	662,129	662,129	350,385

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

Expected future payment	\$356,106
Less: expected reported but not paid claim	(36,142)
Add: reported but not paid claim	75,962
Retained reserve claim balance	<u>\$395,926</u>

Accident year	Development period (years)							Expected future payment
	(US\$)							
	1	2	3	4	5	6	7	
2006Q1~2007Q4	1	2	2	2	2	2	2	-
2007Q1~2008Q4	27	108	109	109	109	109	109	-
2008Q1~2009Q4	310	596	623	623	623	623	623	-
2009Q1~2010Q4	1,707	3,857	4,059	4,059	4,059	4,059	4,059	-
2010Q1~2011Q4	3,209	6,417	6,828	6,828	6,828	6,828	6,828	-
2011Q1~2012Q4	5,914	12,257	12,454	12,454	12,454	12,454	12,454	197
2012Q1~2012Q4	10,732	22,793	22,793	22,793	22,793	22,793	22,793	12,061

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

Expected future payment	\$12,258
Less: expected reported but not paid claim	(1,244)
Add: reported but not paid claim	2,615
Retained reserve claim balance	<u>\$13,629</u>

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Cathay Life and Cathay Life (China) record and recognize reserve for claim for anticipated payment of reported and unreported compensations. Due to the factors of uncertainty, estimation, and judgment involved in recording and recognition, there is a high degree of complexity of reserve for claim. Any change of the estimation or judgment is treated as the change of the accounting principle and recorded and recognized as profit and loss in current year. Some claims of compensation are delayed notification. Also, the estimated unreported cases probably need to be settled by compensation. All these are involved in heavy judgment and estimation. Thus, it exists uncertainty that the estimated reserve for claim in balance sheet date will be not equal to the final settled amount of compensation. The reserve for claim recorded on the book is estimated based upon the current information obtained. However, the settled amount probably will be deviated from the original estimated amount because of the follow-up events.

The chart above has shown the development trend of the compensation. The accident year is the actual year for the occurrence of the claimed accident; The cross axle is the year of the development for the settlement cases; the dollar amount showing above the diagonal line represents the settlement cases in that specific accident year with the corresponding accumulated dollar amounts has been paid in the end of the year; the dollar amount showed below the diagonal line represents the accumulated estimated dollar amounts need to be paid for each accident year. It is possible that the circumstances and trends affecting dollar amount of recording and recognition to the reserve for claim in current year will be different from that in the future. Thus, the anticipated dollar amounts need to be paid for the settlement cases cannot be made the decision to be made from this chart.

③ Cathay Life (Vietnam)

(A) Direct business trend of development

Accident year	Development period (years) (NT\$)			
	1	2	3	4
2009Q1~2010Q4	10	15	15	15
2010Q1~2011Q4	255	227	227	227
2011Q1~2012Q4	338	554	554	554
2012Q1~2012Q4	1,072	1,504	1,504	1,504

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Accident year	Development period (years)			
	(US\$)			
	1	2	3	4
2008Q4~2009Q4	-	1	1	1
2009Q4~2010Q4	9	8	8	8
2010Q4~2011Q4	12	19	19	19
2011Q4~2012Q4	37	52	52	52

(B) Retained business trend of development

Accident year	Development period (years)			
	(NT\$)			
	1	2	3	4
2009Q1~2010Q4	10	15	15	15
2010Q1~2011Q4	255	227	227	227
2011Q1~2012Q4	338	554	554	554
2012Q1~2012Q4	1,072	1,504	1,504	1,504

Accident year	Development period (years)			
	(US\$)			
	1	2	3	4
2008Q4~2009Q4	-	1	1	1
2009Q4~2010Q4	9	8	8	8
2010Q4~2011Q4	12	19	19	19
2011Q4~2012Q4	37	52	52	52

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

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Cathay Life (Vietnam) records and recognizes indemnify reserve for anticipated payment of reported claim and unreported claim compensations. The estimated method of unreported claim is earned premium reserve multiply by claim rate based upon the past indemnity experiences instead of loss triangle method, which approved by Vietnam local authorities. Thus, the anticipated dollar amounts need to be paid for the settlement cases cannot be made the decision to be made from this chart. Also, the estimated unreported cases probably need to be settled by compensation. All these are involved in heavy judgment and estimation. Thus, it exists uncertainty that the estimated indemnify reserve in balance sheet date will be not equal to the final settled amount of compensation.

Credit Risk, Liquidity Risk, and Market Risk for Insurance Contracts

A. Credit Risk

Due to the limitation of the features for reinsurance market and the qualification of reinsurer under the related regulation, the insurance company in Taiwan sustains certain degree of concentration of credit risk in reinsurer. To reduce this risk, Cathay Life chooses trading entity carefully and also reviews its credit rating periodically. Also, Cathay Life monitors and controls the risk of reinsurance transactions properly in accordance with Cathay Life's "Reinsurance Risk Management Plan" and "Reinsurance Entity Assessment Procedures."

If Cathay Life has unqualified ceded reinsurance under "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms," Cathay Life records and recognizes reserves for unqualified reinsurance in accordance with the requirements set forth by the competent authority to reduce the possible influence on the increase of reinsurer credit risk.

The credit rating to the trading entities of reinsurance in the company is good and above certain level, complying with Cathay Life's related rules and the regulations in Taiwan.

B. Liquidity Risk

The chart below is the analysis (undiscounted) of insurance contracts and net cash flows on liabilities of financial instruments with discretionary participation features. The figures showed in this chart are the total insurance payments and expenses of valid insurance contracts at every payment time in the future on the balance sheet date. The actual dollar amounts paid in the future will not be the same due to the difference between the practical and anticipated experiences.

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Unit: Billion

December 31, 2012			
(NT\$)	Within 1 year	1 to 5 year	Over 5 year
Insurance contracts and financial instruments with discretionary participation feature	\$(674)	\$1,506	\$95,141

December 31, 2012			
(US\$)	Within 1 year	1 to 5 year	Over 5 year
Insurance contracts and financial instruments with discretionary participation feature	\$(23)	\$52	\$3,275

(Note) : Excluding Separate account

C. Market Risk

When Cathay Life measures insurance liabilities, the discounted rate approved by the competent authority is applied. The competent authority reviews periodically the discount rate assumption which has been used for reserves. However, the discount rate assumption is not necessarily the same of the time, dollar amount, and direction with those variables (ex: yield rate) in market risk. Thus, those possible variables in market risk to the company's valid insurance contracts have slight impact on profit and loss or equity. When the competent authority changes the discount rate assumption possibly and reasonably, this change will have the impact of different range on profit and loss or equity depending upon the level of change it has been made and the overall company product portfolio. Furthermore, the reasonable possibly change on the market risk probably will have impact on the insurance contracts which are estimated on balance sheet date based upon the current obtained information and the future cash flows of financial instruments with discretionary participation features, used for assessing the adequacy of recognized insurance liabilities via adequacy test. Based upon the reasonable possibly changes on current market risk, it has no or little impact on the adequacy of current recognized insurance liabilities.

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(2) Cathay Century

Risk management objectives, policies, procedures and methods

A. Risk management framework, organization, and responsibility

a. Board of directors

- (A) Recognize various risks associating with insurance business, assure effectiveness of risk management and take ultimate responsibility for risk management as a whole.
- (B) Establish proper mechanism and culture for risk management, ratify proper risk management policies and optimize resources allocation.
- (C) Consider aggregate effect of various risks from the perspective of the company as a whole, at the same time take into account regulatory capital requirements from the authority and other related capital allocation regulations regarding finance and business.

b. Risk Management Committee

- (A) Formulate risk management policies, frameworks, and organizations. 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) Execute risk management decisions from board of directors and review development, establishment and effectiveness of risk management mechanism for company as a whole on a regular basis.
- (C) Assist and supervise various departments in risk management activities.
- (D) Adjust risk category, allotment, and attribution in reaction to changes in scenario.
- (E) Coordinate interaction and communication of risk management function across departments.

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c. Risk management department

- (A) Assist the draft of risk management policies and execute one ratified by the board of directors.
- (B) Assist the set-up of risk limits according to the risk appetite.
- (C) Compile risk information from various departments, coordinate and communicate with them to execute policies and limits.
- (D) Propose risk management related reports on a regular basis.
- (E) Supervise risk limit and its use of each business unit on a regular basis.
- (F) Assist in stress test and conduct back-testing when necessary.
- (G) Other risk management related tasks.

d. Business unit

① Responsibilities in risk management of business are as follows:

- (A) Manage daily risk management and report of the corresponding unit and take necessary reactions.
- (B) Oversee the passage of risk management information to risk management on a regular basis.

② Responsibilities in operation of risk management of business unit are as follows:

- (A) Identify risk and report risk exposure.
- (B) Evaluate (quantitative or qualitative) the degree of influence when risks occur and pass risk information in a timely and correct manner.
- (C) Review each risk item and its limit on a regular basis to insure the effective execution of risk limit within business unit.

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- (D) Oversee risk exposure and report when over-limit occur, including measures taken against it.
- (E) Assist in development of risk model to insure the evaluation of risk, use of model, and its assumption are conducting on a reasonable basis and is consistent with actual practice.
- (F) Assure effective execution of internal control within business unit to comply with related regulation and risk management policies of the company.
- (G) Assist in collecting information regarding operation risk.

e. Internal audit room

Audit the execution of risk management of each unit in the company according to current related regulation.

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

a. Risks reporting

- ① Each business unit within Cathay Century should pass risk information to risk management unit for overseeing purpose, and propose over-limit report and corresponding measures when risk exposure is over limit.
- ② Risk management unit compile risk information from each department, examine and track the use of major risk limit, submit monthly risk management report to general manager, and make quarter report to the board of director to oversee risk on a regular basis.

b. Scope and nature of risk evaluation system

The risk management unit of the Company and Cathay Century 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.

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- 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 the company as a whole, and set up each risk indicator, risk limit, and managing mechanism. Each related department is 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, underwriting personnel will evaluate the quality of the business based on the underwriting guideline of each insurance to decide whether to undertake the business. Risk is properly avoided and controlled to reduce exposure.

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

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According to Cathay Century's "Reinsurance Risk Managing Plan", the limit of underlying retention for each risk unit of insurance is based on 10% of total amount of special reserve under stockholders' equity and liability (exclude compulsory automobile liability insurance). The following summarize underlying retention for each risk unit by types of insurance:

Item	2012		2011	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$613,000	\$21,102	\$630,000	\$20,813
Marine insurance	613,000	21,102	US\$12,000	12,000
Engineering insurance	613,000	21,102	630,000	20,813
Casualty insurance	613,000	21,102	630,000	20,813
Automobile insurance	613,000	21,102	100,000	3,304
Health and injury insurance	613,000	21,102	630,000	20,813

F. Methods of asset/liability management

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

Operation standards under crisis are set up in accordance with the "Directions for Handling Financial Institutes in Crisis" issued by Financial Supervision Commission. When tremendous sum of fund is loss or liquidity is severely lacked, 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 the company.

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

Cathay Century has established management mechanism for capital adequacy, which includes capital adequacy indicators for regular review, and every six months a capital adequacy management report will be compiled to implement capital adequacy management.

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If capital adequacy ratio exceeds control standard (risk limit) or in the case of unusual events, related departments will be summoned to study counter-measures and report to the Company, to review the impact on the group's capital adequacy ratio.

Information of management achievement

A. Acquisition cost for insurance contracts:

For the year ended December 31, 2012												
Item	Commission expense		Agency fee		Surcharge		Reinsurance commission expense		Other cost		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$23,855	\$821	\$6,508	\$224	\$1,595	\$55	\$1,716	\$59	\$91,186	\$3,139	\$124,860	\$4,298
Marine insurance	9,820	338	2,721	94	145	5	2,577	89	69,367	2,388	84,630	2,914
Land & air insurance	33,928	1,168	2,157	74	-	-	3,211	111	680,747	23,434	720,043	24,787
Liability insurance	17,216	592	1,693	58	-	-	151	5	55,730	1,918	74,790	2,573
Bonding insurance	764	26	20	1	-	-	4	-	1,847	64	2,635	91
Other property insurance	21,172	729	2,723	94	4	-	3,086	106	82,891	2,853	109,876	3,782
Accident insurance	10,541	363	945	33	7	-	24	1	336,110	11,570	347,627	11,967
Health insurance	4,150	143	334	11	-	-	-	-	11,892	409	16,376	563
Compulsory automobile liability insurance	-	-	-	-	393,394	13,542	-	-	11,055	381	404,449	13,923
Total	\$121,446	\$4,180	\$17,101	\$589	\$395,145	\$13,602	\$10,769	\$371	\$1,340,825	\$46,156	\$1,885,286	\$64,898

For the year ended December 31, 2011												
Item	Commission expense		Agency fee		Surcharge		Reinsurance commission expense		Other cost		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$47,242	\$1,561	\$4,366	\$144	\$1,838	\$61	\$812	\$27	\$82,628	\$2,730	\$136,886	\$4,523
Marine insurance	14,538	480	2,426	80	289	10	1,485	49	41,203	1,361	59,941	1,980
Land & air insurance	11,954	395	1,003	33	-	-	2,850	94	598,360	19,767	614,167	20,289
Liability insurance	13,945	461	766	25	-	-	60	2	43,195	1,427	57,966	1,915
Bonding insurance	279	9	33	1	-	-	(1)	-	1,020	34	1,331	44
Other property insurance	15,912	526	1,028	34	-	-	3,139	104	71,944	2,377	92,023	3,041
Accident insurance	6,563	217	696	23	16	-	1,349	44	319,526	10,556	328,150	10,840
Health insurance	979	32	102	4	-	-	-	-	11,183	369	12,264	405
Compulsory automobile liability insurance	-	-	-	-	376,140	12,426	-	-	38,436	1,270	414,576	13,696
Total	\$111,412	\$3,681	\$10,420	\$344	\$378,283	\$12,497	\$9,694	\$320	\$1,207,495	\$39,891	\$1,717,304	\$56,733

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B. Disclosure for insurance cost benefit analysis:

① Cost benefits analysis for direct underwriting:

For the year ended December 31, 2012 (NT\$)						
Item	Premium income	Net change for unearned premium reserve	Acquisition cost for insurance contract	Claims	Net change for claim reserve	Net gain (loss)
Fire insurance	\$2,623,079	\$(292,978)	\$(123,144)	\$(1,172,779)	\$920,954	\$1,955,132
Marine insurance	782,282	12,981	(82,053)	(365,842)	(49,486)	297,882
Land & air insurance	5,023,758	(472,256)	(716,832)	(2,879,643)	(212,518)	742,509
Liability insurance	732,588	(83,717)	(74,639)	(229,635)	(51,730)	292,867
Bonding insurance	58,808	(3,102)	(2,631)	(3,569)	(7,598)	41,908
Other property insurance	712,863	(83,568)	(106,790)	(217,744)	(55,749)	249,012
Accident insurance	2,367,455	(18,107)	(347,603)	(1,007,450)	(61,509)	932,786
Health insurance	124,417	59,541	(16,376)	(157,658)	(34,125)	(24,201)
Compulsory automobile liability insurance	2,818,880	(50,870)	(404,449)	(1,769,121)	(342,953)	251,487
Total	<u>\$15,244,130</u>	<u>\$(932,076)</u>	<u>\$(1,874,517)</u>	<u>\$(7,803,441)</u>	<u>\$105,286</u>	<u>\$4,739,382</u>

For the year ended December 31, 2012 (US\$)						
Item	Premium income	Net change for unearned premium reserve	Acquisition cost for insurance contract	Claims	Net change for claim reserve	Net gain (loss)
Fire insurance	\$90,295	\$(10,085)	\$(4,239)	\$(40,371)	\$31,702	\$67,302
Marine insurance	26,929	447	(2,825)	(12,594)	(1,703)	10,254
Land & air insurance	172,935	(16,257)	(24,676)	(99,127)	(7,316)	25,559
Liability insurance	25,218	(2,882)	(2,568)	(7,905)	(1,781)	10,082
Bonding insurance	2,024	(107)	(91)	(123)	(261)	1,442
Other property insurance	24,539	(2,877)	(3,676)	(7,495)	(1,919)	8,572
Accident insurance	81,496	(623)	(11,966)	(34,680)	(2,117)	32,110
Health insurance	4,283	2,050	(563)	(5,427)	(1,175)	(832)
Compulsory automobile liability insurance	97,036	(1,751)	(13,923)	(60,899)	(11,806)	8,657
Total	<u>\$524,755</u>	<u>\$(32,085)</u>	<u>\$(64,527)</u>	<u>\$(268,621)</u>	<u>\$3,624</u>	<u>\$163,146</u>

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For the year ended December 31, 2011 (NT\$)						
Item	Premium income	Net change for unearned premium reserve	Acquisition cost for insurance contract	Claims	Net change for claim reserve	Net gain
Fire insurance	\$2,066,243	\$13,756	\$(136,074)	\$(960,480)	\$(165,708)	\$817,737
Marine insurance	785,170	(9,432)	(58,456)	(565,385)	42,540	194,437
Land & air insurance	4,193,135	(542,771)	(611,317)	(2,417,812)	(184,923)	436,312
Liability insurance	572,164	(51,493)	(57,906)	(194,645)	(36,824)	231,296
Bonding insurance	51,368	1,118	(1,332)	(22,841)	5,716	34,029
Other property insurance	874,582	(395,578)	(88,884)	(219,329)	70,112	240,903
Accident insurance	2,299,323	(222,954)	(326,801)	(889,319)	(77,964)	782,285
Health insurance	167,785	(9,056)	(12,264)	(128,341)	(6,695)	11,429
Compulsory automobile liability insurance	2,699,595	(45,012)	(414,576)	(1,632,213)	(45,315)	562,479
Total	<u>\$13,709,365</u>	<u>\$(1,261,422)</u>	<u>\$(1,707,610)</u>	<u>\$(7,030,365)</u>	<u>\$(399,061)</u>	<u>\$3,310,907</u>

For the year ended December 31, 2011 (US\$)						
Item	Premium income	Net change for unearned premium reserve	Acquisition cost for insurance contract	Claims	Net change for claim reserve	Net gain
Fire insurance	\$68,260	\$454	\$(4,495)	\$(31,730)	\$(5,474)	\$27,015
Marine insurance	25,939	(312)	(1,931)	(18,678)	1,405	6,423
Land & air insurance	138,525	(17,931)	(20,196)	(79,875)	(6,109)	14,414
Liability insurance	18,902	(1,701)	(1,913)	(6,430)	(1,216)	7,642
Bonding insurance	1,697	37	(44)	(755)	189	1,124
Other property insurance	28,893	(13,068)	(2,937)	(7,246)	2,316	7,958
Accident insurance	75,960	(7,365)	(10,796)	(29,380)	(2,576)	25,843
Health insurance	5,543	(299)	(405)	(4,240)	(221)	378
Compulsory automobile liability insurance	89,184	(1,487)	(13,696)	(53,922)	(1,497)	18,582
Total	<u>\$452,903</u>	<u>\$(41,672)</u>	<u>\$(56,413)</u>	<u>\$(232,256)</u>	<u>\$(13,183)</u>	<u>\$109,379</u>

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② Cost benefits analysis for assumed reinsurance business:

For the year ended December 31, 2012 (NT\$)						
Item	Reinsurance premium	Net change for unearned premium reserve	Reinsurance commission expense	Reinsurance claims	Net change for claim reserve	Net (loss) gain for assumed reinsurance business
Fire insurance	\$97,268	\$(16,252)	\$(1,716)	\$(4,857)	\$1,285	\$75,728
Marine insurance	35,889	(16,037)	(2,577)	4,253	(67,373)	(45,845)
Land & air insurance	19,976	(7,874)	(3,211)	(24,184)	(3,501)	(18,794)
Liability insurance	426	16	(151)	(184)	1,087	1,194
Bonding insurance	1,186	(140)	(4)	(357)	(10)	675
Other property insurance	28,657	907	(3,086)	(9,350)	195	17,323
Accident insurance	6,443	22,414	(24)	(13,474)	(2,330)	13,029
Health insurance	-	-	-	-	114	114
Compulsory automobile liability insurance	280,083	(4,834)	-	(262,057)	(21,473)	(8,281)
Total	<u>\$469,928</u>	<u>\$(21,800)</u>	<u>\$(10,769)</u>	<u>\$(310,210)</u>	<u>\$(92,006)</u>	<u>\$35,143</u>

For the year ended December 31, 2012 (US\$)						
Item	Reinsurance premium	Net change for unearned premium reserve	Reinsurance commission expense	Reinsurance claims	Net change for claim reserve	Net (loss) gain for assumed reinsurance business
Fire insurance	\$3,348	\$(559)	\$(59)	\$(167)	\$44	\$2,607
Marine insurance	1,235	(552)	(89)	146	(2,319)	(1,579)
Land & air insurance	688	(271)	(111)	(832)	(121)	(647)
Liability insurance	15	-	(5)	(6)	37	41
Bonding insurance	41	(5)	-	(12)	-	24
Other property insurance	986	31	(106)	(322)	7	596
Accident insurance	222	772	(1)	(464)	(80)	449
Health insurance	-	-	-	-	4	4
Compulsory automobile liability insurance	9,641	(166)	-	(9,021)	(739)	(285)
Total	<u>\$16,176</u>	<u>\$(750)</u>	<u>\$(371)</u>	<u>\$(10,678)</u>	<u>\$(3,167)</u>	<u>\$1,210</u>

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	For the year ended December 31, 2011 (NT\$)					
		Net change			Net gain (loss)	
	Reinsurance	for unearned	Reinsurance	Reinsurance	Net change	for assumed
Item	premium	premium	commission	claims	for claim	reinsurance
		reserve	expense		reserve	business
Fire insurance	\$64,907	\$12,521	\$(812)	\$(269,594)	\$(1,283)	\$(194,261)
Marine insurance	20,928	896	(1,485)	(15,011)	(159,621)	(154,293)
Land & air insurance	12,110	105,318	(2,850)	(5,547)	(3,298)	105,733
Liability insurance	1,293	566	(60)	(510)	(1,197)	92
Bonding insurance	687	15	1	(157)	(13)	533
Other property						
insurance	32,297	(8,617)	(3,139)	(12,879)	(343)	7,319
Accident insurance	67,089	(22,249)	(1,349)	(38,245)	(1,135)	4,111
Health insurance	-	-	-	-	(114)	(114)
Compulsory automobile						
liability insurance	273,796	(3,122)	-	(229,266)	(19,912)	21,496
Total	\$473,107	\$85,328	\$(9,694)	\$(571,209)	\$(186,916)	\$(209,384)

	For the year ended December 31, 2011 (US\$)					
		Net change			Net gain (loss)	
	Reinsurance	for unearned	Reinsurance	Reinsurance	Net change	for assumed
Item	premium	premium	commission	claims	for claim	reinsurance
		reserve	expense		reserve	business
Fire insurance	\$2,144	\$414	\$(27)	\$(8,906)	\$(42)	\$(6,417)
Marine insurance	692	30	(49)	(496)	(5,273)	(5,096)
Land & air insurance	400	3,479	(94)	(183)	(109)	3,493
Liability insurance	43	19	(2)	(17)	(40)	3
Bonding insurance	23	-	-	(5)	-	18
Other property						
insurance	1,067	(285)	(104)	(426)	(11)	241
Accident insurance	2,216	(735)	(44)	(1,264)	(38)	135
Health insurance	-	-	-	-	(4)	(4)
Compulsory automobile						
liability insurance	9,045	(103)	-	(7,574)	(658)	710
Total	\$15,630	\$2,819	\$(320)	\$(18,871)	\$(6,175)	\$(6,917)

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③ Recognized gain (loss) for reinsurance contract purchased:

For the year ended December 31, 2012 (NT\$)						
Item	Reinsurance expense	Net change for unearned premium reserve ceded	Reinsurance commission revenue	Claims recoverable from reinsurers	Net change for claim reserve ceded	Net loss (gain) for reinsurance ceded
Fire insurance	\$1,595,534	\$(185,084)	\$(58,332)	\$(553,575)	\$627,500	\$1,426,043
Marine insurance	646,603	9,275	(91,574)	(201,615)	(163,678)	199,011
Land & air insurance	223,696	(8,834)	(40,105)	(129,925)	(30,301)	14,531
Liability insurance	238,675	(46,349)	(62,297)	(47,366)	11,450	94,113
Bonding insurance	26,079	(2,558)	(4,817)	(6,977)	(4,154)	7,573
Other property insurance	371,506	(20,992)	(61,833)	(62,932)	(26,558)	199,191
Accident insurance	166,776	(10,732)	(40,382)	(90,722)	(5,378)	19,562
Health insurance	1,950	1,264	(679)	(1,110)	(1,341)	84
Compulsory automobile liability insurance	771,320	(20,370)	-	(696,501)	(137,201)	(82,752)
Total	\$4,042,139	\$(284,380)	\$(360,019)	\$(1,790,723)	\$270,339	\$1,877,356

For the year ended December 31, 2012 (US\$)						
Item	Reinsurance expense	Net change for unearned premium reserve ceded	Reinsurance commission revenue	Claims recoverable from reinsurers	Net change for claim reserve ceded	Net loss (gain) for reinsurance ceded
Fire insurance	\$54,924	\$(6,371)	\$(2,008)	\$(19,056)	\$21,601	\$49,090
Marine insurance	22,258	319	(3,152)	(6,940)	(5,634)	6,851
Land & air insurance	7,700	(304)	(1,381)	(4,473)	(1,043)	499
Liability insurance	8,216	(1,596)	(2,144)	(1,631)	394	3,239
Bonding insurance	898	(88)	(166)	(240)	(143)	261
Other property insurance	12,789	(723)	(2,129)	(2,166)	(914)	6,857
Accident insurance	5,741	(369)	(1,390)	(3,123)	(185)	674
Health insurance	67	43	(23)	(38)	(46)	3
Compulsory automobile liability insurance	26,551	(701)	-	(23,976)	(4,723)	(2,849)
Total	\$139,144	\$(9,790)	\$(12,393)	\$(61,643)	\$9,307	\$64,625

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For the year ended December 31, 2011 (NT\$)

Item	Reinsurance expense	Net change for unearned premium reserve		Reinsurance commission revenue	Claims recoverable from reinsurers		Net loss (gain) for reinsurance ceded
		ceded	reserve		from reinsurers	Net change for claim reserve ceded	
Fire insurance	\$1,292,407	\$18,754		\$(49,906)	\$(561,895)	\$(185,863)	\$513,497
Marine insurance	615,745	(12,706)		(85,804)	(353,076)	(219,164)	(55,005)
Land & air insurance	200,068	1,331		(32,922)	(78,640)	13,551	103,388
Liability insurance	177,365	(22,994)		(55,198)	(50,331)	560	49,402
Bonding insurance	21,761	155		(5,274)	(13,650)	2,180	5,172
Other property insurance	538,643	(372,731)		(53,779)	(108,341)	46,234	50,026
Accident insurance	147,576	28,008		(36,502)	(88,832)	(1,715)	48,535
Health insurance	3,187	(603)		(1,114)	-	(128)	1,342
Compulsory automobile liability insurance	735,444	(18,007)		-	(629,960)	(19,244)	68,233
Total	\$3,732,196	\$(378,793)		\$(320,499)	\$(1,884,725)	\$(363,589)	\$784,590

For the year ended December 31, 2011 (US\$)

Item	Reinsurance expense	Net change for unearned premium reserve		Reinsurance commission revenue	Claims recoverable from reinsurers		Net loss (gain) for reinsurance ceded
		ceded	reserve		from reinsurers	Net change for claim reserve ceded	
Fire insurance	\$42,696	\$620		\$(1,649)	\$(18,563)	\$(6,140)	\$16,964
Marine insurance	20,342	(420)		(2,835)	(11,664)	(7,240)	(1,817)
Land & air insurance	6,610	44		(1,087)	(2,598)	448	3,417
Liability insurance	5,859	(760)		(1,823)	(1,663)	19	1,632
Bonding insurance	719	5		(174)	(451)	72	171
Other property insurance	17,795	(12,313)		(1,777)	(3,579)	1,527	1,653
Accident insurance	4,875	925		(1,206)	(2,935)	(57)	1,602
Health insurance	105	(20)		(37)	-	(4)	44
Compulsory automobile liability insurance	24,296	(595)		-	(20,811)	(636)	2,254
Total	\$123,297	\$(12,514)		\$(10,588)	\$(62,264)	\$(12,011)	\$25,920

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Information of insurance risk

A. Sensitivity of insurance risk

Insurance type	Premium income (NT\$)	Expected loss ratio	The impact to profit and loss when the expected loss ratio increases 5%	
			Before reinsurance (NT\$)	After reinsurance (NT\$)
Fire insurance	\$2,628,929	63.75	\$131,446	\$660,031
Marine insurance	782,282	65.01	39,114	8,366
Land and air insurance	5,023,758	65.18	251,188	157,176
Liability insurance	732,588	68.03	36,629	19,886
Bonding insurance	58,808	69.48	2,940	652
Other property insurance	712,863	62.63	35,643	15,894
Accident insurance	2,367,455	72.02	118,373	78,433
Health insurance	124,417	66.03	6,221	4,096
Compulsory automobile liability insurance	2,818,880	NA	NA	NA

Insurance type	Premium income (US\$)	Expected loss ratio	The impact to profit and loss when the expected loss ratio increases 5%	
			Before reinsurance (US\$)	After reinsurance (US\$)
Fire insurance	\$90,497	63.75	\$4,525	\$22,721
Marine insurance	26,929	65.01	1,346	288
Land and air insurance	172,935	65.18	8,647	5,411
Liability insurance	25,218	68.03	1,261	685
Bonding insurance	2,024	69.48	101	22
Other property insurance	24,539	62.63	1,227	547
Accident insurance	81,496	72.02	4,075	2,700
Health insurance	4,283	66.03	214	141
Compulsory automobile liability insurance	97,036	NA	NA	NA

Note : Premium income doesn't include preferential premium; Fire insurance does not include long-term fire insurance.

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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. Concentration Risk

a. Situations that might cause concentration of insurance risk:

① Single insurance contract or few related contracts

For the year ended December 31, 2012, 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.

② Exposure to unexpected changes in trend

For the year ended December 31, 2012, the loss rate of fire insurance is high due to several large claim cases. Other than these, the loss rates of the rest insurance categories are still within reasonable range.

③ 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 the company and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each compliance department of the company will appoint staff to be responsible of compliance matters, so that possible legal risk is minimized. For the year ended December 31, 2012, no material lawsuit or legal risks has taken place.

④ 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 the company 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 the company and to guard financial order. For the year ended December 31, 2012, no catastrophe has taken place.

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- ⑤ When a certain key variable has approached significant non-linear relationship with future cash flow which could dramatically influence its performance

Since the 3rd stage of liberalization of property insurance fee took into effect, Cathay Century has conducted regular fee reviews on automobile 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.

- ⑥ Concentration risks in geographic regions and operating segments

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

- b. Risk concentration before and after reinsurance by types of insurance:

Insurance type	For the year ended December 31, 2012 (NT\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$8,768,890	\$290,597	\$902,428	\$8,157,059
Fire insurance	2,649,445	97,259	1,595,240	1,151,464
Marine insurance	859,994	45,360	738,549	166,805
Engineering insurance	573,679	14,318	309,356	278,641
Health and injury insurance	1,384,403	6,065	154,867	1,235,601
Other insurance	1,007,719	16,329	341,699	682,349
Total	\$15,244,130	\$469,928	\$4,042,139	\$11,671,919

Insurance type	For the year ended December 31, 2012 (US\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$301,855	\$10,003	\$31,065	\$280,793
Fire insurance	91,203	3,348	54,914	39,637
Marine insurance	29,604	1,561	25,423	5,742
Engineering insurance	19,748	493	10,649	9,592
Health and accident insurance	47,656	209	5,331	42,534
Other insurance	34,689	562	11,762	23,489
Total	\$524,755	\$16,176	\$139,144	\$401,787

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Insurance type	For the year ended December 31, 2011			
	(NT\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$7,778,085	\$283,357	\$848,665	\$7,212,777
Fire insurance	2,091,521	64,902	1,292,114	864,309
Marine insurance	867,763	23,482	702,308	188,937
Engineering insurance	725,394	16,441	457,024	284,811
Health and injury insurance	1,393,750	65,584	137,720	1,321,614
Other insurance	852,852	19,341	294,365	577,828
Total	\$13,709,365	\$473,107	\$3,732,196	\$10,450,276

Insurance type	For the year ended December 31, 2011			
	(US\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$256,957	\$9,361	\$28,037	\$238,281
Fire insurance	69,096	2,144	42,686	28,554
Marine insurance	28,667	776	23,201	6,242
Engineering insurance	23,964	543	15,098	9,409
Health and accident insurance	46,044	2,167	4,550	43,661
Other insurance	28,175	639	9,725	19,089
Total	\$452,903	\$15,630	\$123,297	\$345,236

- c. Catastrophes such as earthquake, typhoon, and flood, will bring tremendous insurance risk to property insurance business. The greatest loss rate for such catastrophes for Cathay Century in the past would be the 2000 Typhoon Fanapi and the fire broke out in Formosa Plastic Group. Nevertheless, due to proper arrangement of reinsurance and profit from investment, before-tax profit for the year still came out at NT\$342 million (US\$12 million).

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C. Claim development table

Underwriting Year (NT\$)	2008.1.1~ 2008.12.31	2009.1.1~ 2009.12.31	2010.1.1~ 2010.12.31	2011.1.1~ 2011.12.31	2012.1.1~ 2012.12.31	Total
Estimate of cumulative claims incurred:						
At the end of underwriting year	\$3,156,024	\$3,240,543	\$5,114,327	\$4,231,601	\$5,087,543	
One year later	4,601,140	3,956,155	6,298,033	4,856,841		
Two years later	4,596,112	4,075,726	5,873,308			
Three years later	4,638,890	4,135,108				
Four years later	4,667,413					
Estimate of cumulative claims incurred	4,667,413	4,135,108	5,873,308	4,856,841	5,087,543	
Cumulative payment to date	4,589,016	3,985,807	5,413,176	4,573,475	3,130,914	
Subtotal	78,397	149,301	460,132	283,366	1,956,629	2,927,825
Reconciliation	-	-	-	-	-	-
Recorded in balance sheet	<u>\$78,397</u>	<u>\$149,301</u>	<u>\$460,132</u>	<u>\$283,366</u>	<u>\$1,956,629</u>	<u>\$2,927,825</u>
Underwriting Year (US\$)	2008.1.1~ 2008.12.31	2009.1.1~ 2009.12.31	2010.1.1~ 2010.12.31	2011.1.1~ 2011.12.31	2012.1.1~ 2012.12.31	Total
Estimate of cumulative claims incurred:						
At end of underwriting year	\$108,641	\$111,551	\$176,053	\$145,666	\$175,131	
One year later	158,387	136,184	216,800	167,189		
Two years later	158,214	140,300	202,179			
Three years later	159,686	142,345				
Four years later	160,668					
Estimate of cumulative claims incurred	160,668	142,345	202,179	167,189	175,131	
Cumulative payment to date	157,970	137,205	186,340	157,434	107,777	
Subtotal	2,698	5,140	15,839	9,755	67,354	100,786
Reconciliation	-	-	-	-	-	-
Recorded in balance sheet	<u>\$2,698</u>	<u>\$5,140</u>	<u>\$15,839</u>	<u>\$9,755</u>	<u>\$67,354</u>	<u>\$100,786</u>

Note: The upper part of this chart is to explain the amount of claim for property insurance of each underwriting year estimated through time; the lower part adjusts cumulative claim amount to the balance sheet.

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(3) Cathay Century (China)

Risk management objectives, policies, procedures and methods

A. The framework, organization structure and responsibilities for risk management.

a. The framework and organization structure for risk management.

Cathay Century (China) established the Audit Committee which is directly under the board of directors to be responsible for risk management, find out the significant risks and supervise the efficiency of operation for risk management.

Cathay Century (China) also established risk management team which is responsible for coordinating the risk management affairs and specific risk management. The team is lead by general manager and the team members include high-level management and the department managers from marketing, financial accounting, sales, information technology etc.

b. Responsibilities:

① The Audit Committee: discuss the following issues and give opinions and suggestions to the board of directors.

(a) The overall objective, basic policies and working system for risk management.

(b) The establishment and obligation of risk management institution.

(c) Risk assessment for important decision and the solution for significant risk.

(d) Annual risk assessment report.

② Risk management department (risk management team)

(a) Coordinate the risk management affairs:

(i) Set up the policies and system for risk management that can match up to the development strategies and overall risk tolerance for the insurance company.

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- (ii) Provide the risk assessment reports for significant events, decisions and business process, and find out the solution for important risks.
 - (iii) Submit the annual risk assessment report to the board of direct and the management.
 - (iv) Direct, coordinate and supervise each department and business unit to launch risk management.
- (b) Responsible for specific risk management:
- (i) Evaluate the risk by qualitative and quantitative; meanwhile, improve the methods, technique and models for risk management.
 - (ii) Ensure the risk limit for each types of insurance and coordinate the daily work for risk management. In addition, support business units to launch business under the risk limit and monitor the compliance.
 - (iii) Assets and liabilities management.
 - (iv) Implement and establish the information system for risk management.
 - (v) Implement culture construction for risk.

(c) Business unit (operating department and administrative department)

Cathay Century (China) has set up a basic process to identify, assess and control risks for operating activities. It is lead by risk management team and finished by the close cooperation between each department.

(d) Audit department

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

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B. The description and execution of overall strategies for risk management:

a. Overall strategies for risk management

According to the risk management policies and annual operating objectives from Cathay Century (China), every business unit should take measures to the risks they faced during the operating activity. The type of risks includes insurance risk, market risk, credit risk, liquidity risk and operating risk.

b. Execution for risk management

(a) Insurance risk:

- ① Implement pressure test periodically (include negative assumption of premium income, claim expense and expenditure).
- ② Continuously developing a balanced structure of product sales.

(b) Market risk:

- ① Periodically provide pressure test (include negative assumption for investment under equity asset).
- ② Implement pressure test periodically for investment (include debt deadline gap analysis, exchange rate sensitive analysis, interest rate sensitive analysis and so on).

(c) Credit risk:

- ① Fulfill the related regulation for reinsurance.
- ② Invest in the underlying asset with higher credit rating.

(d) Liquidity risk:

- ① According to “the Guidelines for the Risk Control in the Operation of Insurance Funds” and the company’s annual strategies to plan the asset allocation.

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② Practice the policy of the insurance policy will not be approved until the premium been paid and enhance the collection of insurance premium.

(e) Operating risk:

① Periodically perform the audit.

② Continuously improve the regulations and system for Cathay Century (China).

Information of management achievement

A. Acquisition cost for insurance contracts:

For the year ended December 31, 2012						
Item	Surcharge		Reinsurance commission expense		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$33,263	\$1,145	\$502	\$17	\$33,765	\$1,162
Marine insurance	7,627	263	646	22	8,273	285
Liability insurance	37,870	1,304	63	2	37,933	1,306
Bonding insurance	640	22	-	-	640	22
Other property insurance	86,031	2,961	5,172	179	91,203	3,140
Accident insurance	-	-	496	17	496	17
Total	\$165,431	\$5,695	\$6,879	\$237	\$172,310	\$5,932

For the year ended December 31, 2011						
Item	Surcharge		Reinsurance commission expense		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Fire insurance	\$27,092	\$895	\$174	\$6	\$27,266	\$901
Marine insurance	11,228	371	222	7	11,450	378
Liability insurance	14,018	463	-	-	14,018	463
Bonding insurance	1,473	49	-	-	1,473	49
Other property insurance	19,292	637	1,060	35	20,352	672
Accident insurance	-	-	23	1	23	1
Total	\$73,103	\$2,415	\$1,479	\$49	\$74,582	\$2,464

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B. Disclosure for insurance cost benefit analysis:

① Cost benefit analysis for direct underwriting:

For the year ended December 31, 2012 (NT\$)						
Item	Premium income	Net change for unearned premium reserve	Acquired cost for insurance contract	Claims	Net change for claim reserve	Net gain (loss)
Fire insurance	\$326,887	\$4,299	\$(33,263)	\$(143,411)	\$(50,421)	\$104,091
Marine insurance	53,265	3,611	(7,627)	(58,264)	(33,183)	(42,198)
Liability insurance	252,874	(33,824)	(37,870)	(95,557)	(138,106)	(52,483)
Bonding insurance	4,338	1,275	(640)	(547)	1,226	5,652
Other property insurance	595,477	(172,967)	(86,031)	(172,530)	(230,558)	(66,609)
Accident insurance	-	-	-	(31)	-	(31)
Total	<u>\$1,232,841</u>	<u>\$(197,606)</u>	<u>\$(165,431)</u>	<u>\$(470,340)</u>	<u>\$(451,042)</u>	<u>\$(51,578)</u>

For the year ended December 31, 2012 (US\$)						
Item	Premium income	Net change for unearned premium reserve	Acquired cost for insurance contract	Claims	Net change for claim reserve	Net gain (loss)
Fire insurance	\$11,253	\$148	\$(1,145)	\$(4,937)	\$(1,736)	\$3,583
Marine insurance	1,834	124	(263)	(2,006)	(1,142)	(1,453)
Liability insurance	8,705	(1,164)	(1,304)	(3,289)	(4,754)	(1,806)
Bonding insurance	149	44	(22)	(19)	42	194
Other property insurance	20,498	(5,954)	(2,961)	(5,939)	(7,937)	(2,293)
Accident insurance	-	-	-	(1)	-	(1)
Total	<u>\$42,439</u>	<u>\$(6,802)</u>	<u>\$(5,695)</u>	<u>\$(16,191)</u>	<u>\$(15,527)</u>	<u>\$(1,776)</u>

For the year ended December 31, 2011 (NT\$)						
Item	Premium income	Net change for unearned premium reserve	Acquired cost for insurance contract	Claims	Net change for claim reserve	Net gain (loss)
Fire insurance	\$290,455	\$(46,410)	\$(27,266)	\$(6,141)	\$(24,721)	\$185,917
Marine insurance	87,066	(4,059)	(11,449)	(26,284)	(18,873)	26,401
Liability insurance	140,544	(32,723)	(14,018)	(30,147)	(33,461)	30,195
Bonding insurance	8,709	(1,430)	(1,473)	(419)	(4,274)	1,113
Other property insurance	210,372	(64,949)	(20,352)	(137,755)	(53,920)	(66,604)
Accident insurance	-	-	(24)	-	-	(24)
Total	<u>\$737,146</u>	<u>\$(149,571)</u>	<u>\$(74,582)</u>	<u>\$(200,746)</u>	<u>\$(135,249)</u>	<u>\$176,998</u>

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For the year ended December 31, 2011 (US\$)						
Item	Premium income	Net change for unearned premium reserve	Acquired cost for insurance contract	Claims	Net change for claim reserve	Net gain (loss)
Fire insurance	\$9,595	\$(1,533)	\$(901)	\$(203)	\$(817)	\$6,141
Marine insurance	2,876	(134)	(378)	(868)	(624)	872
Liability insurance	4,643	(1,081)	(463)	(996)	(1,105)	998
Bonding insurance	288	(47)	(49)	(14)	(141)	37
Other property insurance	6,950	(2,146)	(672)	(4,551)	(1,781)	(2,200)
Accident insurance	-	-	(1)	-	-	(1)
Total	\$24,352	\$(4,941)	\$(2,464)	\$(6,632)	\$(4,468)	\$5,847

② Cost benefit analysis for assumed reinsurance business:

For the year ended December 31, 2012 (NT\$)						
Item	Reinsurance premium	Net change for unearned premium reserve	Reinsurance commission expense	Reinsurance claim	Net change for claim reserve	Net gain for assumed reinsurance business
Fire insurance	\$2,176	\$(122)	\$(502)	\$(38)	\$204	\$1,718
Marine insurance	4,086	27	(646)	(788)	80	2,759
Liability insurance	237	(70)	(62)	-	56	161
Other property insurance	16,397	(1,801)	(5,173)	(630)	2,680	11,473
Accident insurance	1,629	(518)	(496)	-	(98)	517
Total	\$24,525	\$(2,484)	\$(6,879)	\$(1,456)	\$2,922	\$16,628

For the year ended December 31, 2012 (US\$)						
Item	Reinsurance premium	Net change for unearned premium reserve	Reinsurance commission expense	Reinsurance claim	Net change for claim reserve	Net gain for assumed reinsurance business
Fire insurance	\$75	\$(4)	\$(18)	\$(1)	\$7	\$59
Marine insurance	141	1	(22)	(27)	2	95
Liability insurance	8	(3)	(2)	-	2	5
Other property insurance	564	(62)	(178)	(22)	93	395
Accident insurance	56	(18)	(17)	-	(3)	18
Total	\$844	\$(86)	\$(237)	\$(50)	\$101	\$572

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For the year ended December 31, 2011 (NT\$)

Item	Reinsurance premium	Net change for unearned premium reserve	Reinsurance commission expense	Reinsurance claim	Net change for claim reserve	Net gain (loss) for assumed reinsurance business
Fire insurance	\$661	\$(245)	\$(174)	\$(139)	\$477	\$580
Marine insurance	2,574	(26)	(221)	(3)	(46)	2,278
Liability insurance	1	323	-	-	285	609
Other property insurance	3,666	(621)	(1,060)	-	(386)	1,599
Accident insurance	60	(29)	(23)	-	(9)	(1)
Total	<u>\$6,962</u>	<u>\$(598)</u>	<u>\$(1,478)</u>	<u>\$(142)</u>	<u>\$321</u>	<u>\$5,065</u>

For the year ended December 31, 2011 (US\$)

Item	Reinsurance premium	Net change for unearned premium reserve	Reinsurance commission expense	Reinsurance claim	Net change for claim reserve	Net gain (loss) for assumed reinsurance business
Fire insurance	\$22	\$(8)	\$(6)	\$(5)	\$16	\$19
Marine insurance	85	(1)	(7)	-	(2)	75
Liability insurance	-	11	-	-	9	20
Other property insurance	121	(21)	(35)	-	(12)	53
Accident insurance	2	(1)	(1)	-	-	-
Total	<u>\$230</u>	<u>\$(20)</u>	<u>\$(49)</u>	<u>\$(5)</u>	<u>\$11</u>	<u>\$167</u>

③ Recognized gain (loss) for reinsurance contract purchased:

For the year December 31, 2012 (NT\$)

Item	Reinsurance expense	Net change for unearned premium reserve ceded	Reinsurance commission revenue	Claims recoverable from reinsurers	Net change for claim reserve ceded	Net loss (gain) for reinsurance ceded
Fire insurance	\$192,233	\$11,494	\$(50,642)	\$(80,729)	\$(27,578)	\$44,778
Marine insurance	21,949	1,472	(7,533)	(15,114)	(8,289)	(7,515)
Liability insurance	112,323	(6,918)	(30,719)	(35,248)	(53,121)	(13,683)
Bonding insurance	817	127	(257)	(33)	333	987
Other property insurance	23,659	2,279	(5,263)	(3,472)	(11,318)	5,885
Total	<u>\$350,981</u>	<u>\$8,454</u>	<u>\$(94,414)</u>	<u>\$(134,596)</u>	<u>\$(99,973)</u>	<u>\$30,452</u>

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For the year December 31, 2012 (US\$)						
Item	Reinsurance expense	Net change for unearned premium reserve ceded	Reinsurance commission revenue	Claims recoverable from reinsurers	Net change for claim reserve ceded	Net loss (gain) for reinsurance ceded
Fire insurance	\$6,617	\$396	\$(1,743)	\$(2,779)	\$(950)	\$1,541
Marine insurance	756	51	(259)	(520)	(286)	(258)
Liability insurance	3,867	(238)	(1,058)	(1,213)	(1,829)	(471)
Bonding insurance	28	4	(9)	(1)	12	34
Other property insurance	814	78	(181)	(120)	(389)	202
Total	\$12,082	\$291	\$(3,250)	\$(4,633)	\$(3,442)	\$1,048

For the year ended December 31, 2011 (NT\$)						
Item	Reinsurance expense	Net change for unearned premium reserve ceded	Reinsurance commission revenue	Claims recoverable from reinsurers	Net change for claim reserve ceded	Net loss (gain) for reinsurance ceded
Fire insurance	\$179,604	\$(21,476)	\$(49,390)	\$(62,542)	\$(13,239)	\$32,957
Marine insurance	34,906	(1,538)	(12,136)	(6,715)	(2,873)	11,644
Liability insurance	60,843	(11,199)	(15,106)	(12,325)	(10,154)	12,059
Bonding insurance	1,104	(68)	(354)	(157)	(702)	(177)
Other property insurance	19,298	(4,901)	(5,371)	(2,773)	(3,291)	2,962
Total	\$295,755	\$(39,182)	\$(82,357)	\$(84,512)	\$(30,259)	\$59,445

For the year ended December 31, 2011 (US\$)						
Item	Reinsurance expense	Net change for unearned premium reserve ceded	Reinsurance commission revenue	Claims recoverable from reinsurers	Net change for claim reserve ceded	Net loss (gain) for reinsurance ceded
Fire insurance	\$5,933	\$(709)	\$(1,632)	\$(2,066)	\$(437)	\$1,089
Marine insurance	1,153	(51)	(401)	(222)	(95)	384
Liability insurance	2,010	(370)	(499)	(407)	(336)	398
Bonding insurance	37	(2)	(12)	(5)	(23)	(5)
Other property insurance	638	(162)	(177)	(92)	(109)	98
Total	\$9,771	\$(1,294)	\$(2,721)	\$(2,792)	\$(1,000)	\$1,964

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Insurance risk information

A. Sensitivity of insurance risk

Insurance type	Premium income	The impact to profit and loss when the ending loss rate increases 5% (NT\$)	
		Before reinsurance	After reinsurance
Fire insurance	\$326,887	\$16,344	\$6,646
Marine insurance	53,265	2,663	1,770
Liability insurance	252,874	12,644	7,039
Bonding insurance	4,338	217	176
Other property insurance	595,477	29,774	29,606
Accident insurance	-	-	81

Insurance type	Premium income	The impact to profit and loss when the ending loss rate increases 5% (US\$)	
		Before reinsurance	After reinsurance
Fire insurance	\$11,253	\$563	\$229
Marine insurance	1,834	92	61
Liability insurance	8,705	435	242
Bonding insurance	149	7	6
Other property insurance	20,498	1,025	1,019
Accident insurance	-	-	3

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.

B. Concentration of insurance risk

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

① The exposure of unanticipated change in trend

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

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② The correlation and cross effect between risks

When significant incidents happened, Cathay Century (China) may face the huge claim for the insured cases or the impairment loss for intangible or tangible assets. It may also create risks such as market risk, credit risk, liquidity risk and so on. To ensure 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 held the emergency response team to make sure the operation of the company and protect the safety of policyholders’ property as well as the company’s equity. There is no significant incident occurred For the year ended December 31, 2012.

b. Risk concentration before and after reinsurance by types of insurance is summarized as follows:

Types of insurance	For the year ended December 31, 2012							
	Premium income		Reinsurance premium income		Reinsurance premium expense		Net premium income	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Automobile insurance	\$565,634	\$19,471	\$16,367	\$563	\$3,575	\$123	\$578,426	\$19,911
Fire insurance	326,887	11,252	2,176	75	196,148	6,752	132,915	4,575
Marine insurance	53,265	1,834	4,086	141	21,949	756	35,402	1,219
Engineering insurance	21,775	750	29	1	16,170	557	5,634	194
Health and accident insurance	-	-	1,629	56	-	-	1,629	56
Other insurance	265,280	9,132	237	8	113,139	3,894	152,378	5,246
Total	\$1,232,841	\$42,439	\$24,524	\$844	\$350,981	\$12,082	\$906,384	\$31,201

Types of insurance	For the year ended December 31, 2011							
	Premium income		Reinsurance premium income		Reinsurance premium expense		Net premium income	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Automobile insurance	\$172,769	\$5,708	\$3,583	\$118	\$1,498	\$50	\$174,854	\$5,776
Fire insurance	291,401	9,627	661	22	179,966	5,945	112,096	3,704
Marine insurance	87,066	2,876	2,574	85	34,906	1,153	54,734	1,808
Engineering insurance	29,755	983	44	2	17,437	576	12,362	409
Health and accident insurance	-	-	99	3	-	-	99	3
Other insurance	156,154	5,159	1	-	61,947	2,047	94,208	3,112
Total	\$737,145	\$24,353	\$6,962	\$230	\$295,754	\$9,771	\$448,353	\$14,812

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C. Claim development table

	Incident period (NT\$)					
	2008	2009	2010	2011	2012	Total
Estimated accumulation amount of claim						
As to 2008/12/31	\$2,559					
As to 2009/12/31	2,438	\$148,443				
As to 2010/12/31	2,434	142,653	\$317,451			
As to 2011/12/31	2,460	139,780	314,432	\$341,631		
As to 2012/12/31	1,278	121,339	282,378	305,963	\$950,291	
Estimated accumulation of claim	1,278	121,339	282,378	305,963	950,291	\$1,661,249
Accumulated claim paid	1,278	121,211	278,661	253,337	281,521	936,008
Subtotal	-	128	3,717	52,626	668,770	725,241
Indirect claim expense, discount and risk margin						36,565
Recognized amount on balance sheet						<u>\$761,806</u>

	Incident period (US\$)					
	2008	2009	2010	2011	2012	Total
Estimated accumulation amount of claim						
As to 2008/12/31	\$88					
As to 2009/12/31	84	\$5,110				
As to 2010/12/31	84	4,911	\$10,928			
As to 2011/12/31	85	4,812	10,824	\$11,760		
As to 2012/12/31	44	4,177	9,720	10,533	\$32,712	
Estimated accumulation of claim	44	4,177	9,720	10,533	32,712	\$57,186
Accumulated claim paid	44	4,173	9,592	8,721	9,691	32,221
Subtotal	-	4	128	1,812	23,021	24,965
Indirect claim expense, discount and risk margin						1,259
Recognized amount on balance sheet						<u>\$26,224</u>

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(4) Cathay Century (Vietnam)

Information of management achievement

A. Acquisition cost for insurance contracts:

For the year ended December 31, 2012 (NT\$)				
Item	Commission expense	Agency fee	Reinsurance commission expense	Total
Fire insurance	\$1,301	\$1,422	\$-	\$2,723
Marine insurance	114	49	-	163
Land and air insurance	2,390	8	-	2,398
Liability insurance	61	10	-	71
Other property insurance	(100)	13	-	(87)
Accident insurance	922	28	-	950
Total	\$4,688	\$1,530	\$-	\$6,218

For the year ended December 31, 2012 (US\$)				
Item	Commission expense	Agency fee	Reinsurance commission expense	Total
Fire insurance	\$45	\$49	\$-	\$94
Marine insurance	4	2	-	6
Land and air insurance	82	-	-	82
Liability insurance	2	-	-	2
Other property insurance	(4)	1	-	(3)
Accident insurance	32	1	-	33
Total	\$161	\$53	\$-	\$214

For the year ended December 31, 2011 (NT\$)				
Item	Commission expense	Agency fee	Reinsurance commission expense	Total
Fire insurance	\$356	\$230	\$-	\$586
Marine insurance	59	64	-	123
Land and air insurance	976	-	-	976
Liability insurance	12	-	-	12
Other property insurance	502	20	-	522
Accident insurance	396	-	-	396
Total	\$2,301	\$314	\$-	\$2,615

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For the year ended December 31, 2011 (US\$)				
Item	Commission expense	Agency fee	Reinsurance commission expense	Total
Fire insurance	\$12	\$7	\$-	\$19
Marine insurance	2	2	-	4
Land and air insurance	32	-	-	32
Liability insurance	-	-	-	-
Other property insurance	17	1	-	18
Accident insurance	13	-	-	13
Total	<u>\$76</u>	<u>\$10</u>	<u>\$-</u>	<u>\$86</u>

B. Disclosure for insurance cost benefit analysis:

① Cost benefit analysis for direct underwriting:

For the year ended December 31, 2012 (NT\$)						
Item	Premium income	Net change for unearned premium reserve	Acquired cost for insurance contract	Claims	Net change for claim reserve	Net gain (loss)
Fire insurance	\$35,281	\$(30,043)	\$(2,723)	\$(3,005)	\$(28,917)	\$(29,407)
Marine insurance	1,828	(408)	(163)	(56)	(1,746)	(545)
Land and air insurance	22,589	(8,616)	(2,398)	(5,935)	(2,657)	2,983
Liability insurance	2,224	(2,537)	(71)	-	(181)	(565)
Other property insurance	1,300	(8,064)	87	(12)	(79)	(6,768)
Accident insurance	5,123	(1,421)	(950)	(1,271)	131	1,612
Total	<u>\$68,345</u>	<u>\$(51,089)</u>	<u>\$(6,218)</u>	<u>\$(10,279)</u>	<u>\$(33,449)</u>	<u>\$(32,690)</u>

For the year ended December 31, 2012 (US\$)						
Item	Premium income	Net change for unearned premium reserve	Acquired cost for insurance contract	Claims	Net change for claim reserve	Net gain (loss)
Fire insurance	\$1,214	\$(1,034)	\$(94)	\$(103)	\$(995)	\$(1,012)
Marine insurance	63	(14)	(6)	(2)	(60)	(19)
Land and air insurance	778	(297)	(82)	(205)	(91)	103
Liability insurance	77	(87)	(2)	-	(7)	(19)
Other property insurance	45	(278)	3	-	(3)	(233)
Accident insurance	176	(49)	(33)	(44)	5	55
Total	<u>\$2,353</u>	<u>\$(1,759)</u>	<u>\$(214)</u>	<u>\$(354)</u>	<u>\$(1,151)</u>	<u>\$(1,125)</u>

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For the year ended December 31, 2011 (NT\$)

Item	Premium income	Net change for unearned premium reserve		Acquired cost for insurance contract	Claims	Net change for claim reserve		Net gain
Fire insurance	\$10,698		\$(1,433)	\$(600)	\$(85)		\$(163)	\$8,417
Marine insurance	714		(34)	(123)	-		(18)	539
Land and air insurance	7,261		(4,770)	(976)	(820)		(440)	255
Liability insurance	355		(92)	(13)	-		(7)	243
Other property insurance	7,149		753	(521)	-		(62)	7,319
Accident insurance	2,604		(1,539)	(396)	(112)		(413)	144
Total	\$28,781		\$(7,115)	\$(2,629)	\$(1,017)		\$(1,103)	\$16,917

For the year ended December 31, 2011 (US\$)

Item	Premium income	Net change for unearned premium reserve		Acquired cost for insurance contract	Claims	Net change for claim reserve		Net gain
Fire insurance	\$353		\$(47)	\$(20)	\$(3)		\$(5)	\$278
Marine insurance	24		(1)	(4)	-		(1)	18
Land and air insurance	240		(158)	(32)	(27)		(15)	8
Liability insurance	12		(3)	(1)	-		-	8
Other property insurance	236		25	(17)	-		(2)	242
Accident insurance	86		(51)	(13)	(4)		(13)	5
Total	\$951		\$(235)	\$(87)	\$(34)		\$(36)	\$559

② Cost benefit analysis for assumed reinsurance business:

For the year ended December 31, 2012 (NT\$)

Item	Premium income	Net change for unearned insurance reserve		Acquisition cost for insurance contracts	Claims	Net change for claim reserve	Net gain for reinsurance ceded
Fire insurance	\$125		\$-	\$-	\$-		\$125
Land & air insurance	80		-	-	-		80
Other property insurance	165		-	-	-		165
Total	\$370		\$-	\$-	\$-		\$370

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For the year ended December 31, 2012 (US\$)

Item	Premium income	Net change for unearned insurance reserve	Acquisition cost for insurance contracts	Claims	Net change for claim reserve	Net gain for reinsurance ceded
Fire insurance	\$4	\$-	\$-	\$-	\$-	\$4
Land & air insurance	3	-	-	-	-	3
Other property insurance	6	-	-	-	-	6
Total	\$13	\$-	\$-	\$-	\$-	\$13

For the year ended December 31, 2011 (NT\$)

Item	Reinsurance expense	Net change for unearned premium reserve ceded	Reinsurance commission revenue	Claims recoverable from reinsurers	Net change for claim reserve ceded	Net gain for reinsurance ceded
Fire insurance	\$78	\$-	\$-	\$-	\$-	\$78

For the year ended December 31, 2011 (US\$)

Item	Reinsurance expense	Net change for unearned premium reserve ceded	Reinsurance commission revenue	Claims recoverable from reinsurers	Net change for claim reserve ceded	Net gain for reinsurance ceded
Fire insurance	\$3	\$-	\$-	\$-	\$-	\$3

③ Recognized loss for reinsurance contract purchased:

For the year ended December 31, 2012 (NT\$)

Item	Reinsurance expense	Net change for unearned premium reserve ceded	Reinsurance commission revenue	Claims recoverable from reinsurers	Net change for claim reserve ceded	Net loss for reinsurance ceded
Fire insurance	\$29,165	\$-	\$(8,335)	\$(1,065)	\$-	\$19,765
Marine insurance	1,346	-	(465)	(34)	-	847
Land and air insurance	42	-	14	-	-	56
Liability insurance	1,538	-	(356)	-	-	1,182
Other property insurance	1,267	-	(394)	(7)	-	866
Total	\$33,358	\$-	\$(9,536)	\$(1,106)	\$-	\$22,716

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For the year ended December 31, 2012 (US\$)						
Item	Reinsurance expense	Net change for unearned premium reserve ceded	Reinsurance commission revenue	Claims recoverable from reinsurers	Net change for claim reserve ceded	Net loss for reinsurance ceded
Fire insurance	\$1,004	\$-	\$(287)	\$(37)	\$-	\$680
Marine insurance	46	-	(16)	(1)	-	29
Land and air insurance	1	-	1	-	-	2
Liability insurance	53	-	(12)	-	-	41
Other property insurance	44	-	(14)	-	-	30
Total	\$1,148	\$-	\$(328)	\$(38)	\$-	\$782

For the year ended December 31, 2011 (NT\$)						
Item	Reinsurance expense	Net change for unearned premium reserve ceded	Reinsurance commission revenue	Claims recoverable from reinsurers	Net change for claim reserve ceded	Net loss for reinsurance ceded
Fire insurance	\$10,274	\$-	\$(2,611)	\$-	\$-	\$7,663
Marine insurance	343	-	(323)	-	-	20
Liability insurance	212	-	(75)	-	-	137
Other non-properties insurance	5,929	-	(484)	-	-	5,445
Total	\$16,758	\$-	\$(3,493)	\$-	\$-	\$13,265

For the year ended December 31, 2011 (US\$)						
Item	Reinsurance expense	Net change for unearned premium reserve ceded	Reinsurance commission revenue	Claims recoverable from reinsurers	Net change for claim reserve ceded	Net loss for reinsurance ceded
Fire insurance	\$339	\$-	\$(86)	\$-	\$-	\$253
Marine insurance	11	-	(11)	-	-	-
Liability insurance	7	-	(2)	-	-	5
Other non-properties insurance	196	-	(16)	-	-	180
Total	\$553	\$-	\$(115)	\$-	\$-	\$438

Due to Cathay Insurance (Vietnam) has been operated for less than one year, there is no historical data for loss development trends. Cathay Insurance (Vietnam) has adopted the suggestion from Vietnamese Ministry of Finance 2842/BTC/QCBH for loss reserving method with IBNR, which is calculated as a rate of 5% of its annual retained premiums.

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28.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)	Subsidiary of Cathay Life
Cathay Life (Vietnam)	"
Symphox Information	"
Cathay Insurance (Bermuda)	"
Cathay Securities Investment Consulting	"
Lin Yuan	"
Cathay Century (China)	Subsidiary of Cathay Century
Cathay Century (Vietnam)	"
Indovina Bank	Subsidiary of Cathay United Bank
SBC Bank	"
Seaward Card	"
Cathay Futures	Subsidiary of Cathay Securities
Taiwan Real-estate Management Corp.	Investee accounted for under the equity method
Cathay Dragon Fund etc.	The fund is managed by Cathay Securities Investment Trust
Vietinbank	Joint venture partner of Indovina Bank
China National Aviation Holding Company	Joint venture partner of Cathay Life (China)
Lin Yuan Property Management Co., Ltd.	Related Party disclosed according to Accounting Standard No. 6
Pai Hsing Investment Co., Ltd.	"
Wan Da Investment Co., Ltd.	"
Cathay General Hospital	"
Cathay Real Estate Development Co., Ltd.	"
San Ching Engineering Co., Ltd.	"
Cathay Healthcare Inc.	"
Seaward Leasing Ltd.	"
	(Merge with Cathay Real Estate Development Co., Ltd on July 28, 2011.)
Other related parties	Includes chairmen, managers, their spouses and relatives of subsidiaries

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(2) Significant transactions with related parties:

A. Cash and cash equivalent

a. Call loans to banks

For the year ended December 31,								
2012					2011			
Ending balance		Interest income		Ending balance		Interest income		
Name	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Vietinbank	\$6,376,067	\$219,486	\$217,002	\$7,470	\$5,731,948	\$189,361	\$83,193	\$2,748

b. Due from commercial banks

For the year ended December 31,								
2012					2011			
Ending balance		Interest income		Ending balance		Interest income		
Name	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Vietinbank	\$5,722	\$197	\$-	\$-	\$23,666	\$782	\$20	\$1

c. Call loans from banks

For the year ended December 31,								
2012					2011			
Ending balance		Interest expense		Ending balance		Interest expense		
Name	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Vietinbank	\$2,797,772	\$96,309	\$132,414	\$4,558	\$4,072,018	\$134,523	\$54,979	\$1,816

d. Due to commercial banks

For the year ended December 31,								
2012					2011			
Ending balance		Interest expense		Ending balance		Interest expense		
Name	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Vietinbank	\$5,722	\$197	\$-	\$-	\$1,395	\$46	\$-	\$-

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share data and unless otherwise stated)**

B. Financial assets at fair value through profit or loss

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Dragon Fund etc.	\$2,319,890	\$79,859	\$1,676,355	\$55,380

C. Receivables

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Dragon Fund etc.	\$76,453	\$2,632	\$68,121	\$2,250

D. Loans

Name	For the year ended December 31, 2012			
	Ending balance	Ending balance	Interest income	Interest income
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Real Estate Development Co., Ltd.	\$-	\$-	\$602	\$21
Taiwan Real-estate Management Corp.	65,000	2,237	1,397	48
Cathay General Hospital	3,313,519	114,063	86,319	2,971
Other related parties	770,438	26,521	4,789	165
Total	\$4,148,957	\$142,821	\$93,107	\$3,205

Name	For the year ended December 31, 2011			
	Ending balance	Ending balance	Interest income	Interest income
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Real Estate Development Co., Ltd.	\$-	\$-	\$3,877	\$128
Seaward Leasing Ltd.	-	-	5,699	188
Taiwan Real-estate Management Corp.	80,000	2,643	1,715	57
Cathay General Hospital	3,588,571	118,552	88,843	2,935
Other related parties	536,737	17,732	10,530	348
Total	\$4,205,308	\$138,927	\$110,664	\$3,656

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E. Available-for-sale financial assets

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Dragon Fund etc.	<u>\$236,464</u>	<u>\$8,140</u>	<u>\$209,614</u>	<u>\$6,925</u>

F. Deposit

Name	For the year ended December 31, 2012			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay Real Estate Development Co., Ltd.	\$279,019	\$9,605	\$189	\$6
Cathay Dragon Fund etc.	3,258,081	112,154	19,652	677
Other related parties	6,487,739	223,330	60,372	2,078
Total	<u>\$10,024,839</u>	<u>\$345,089</u>	<u>\$80,213</u>	<u>\$2,761</u>

Name	For the year ended December 31, 2011			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay Real Estate Development Co., Ltd.	\$215,767	\$7,128	\$130	\$4
Cathay Dragon Fund etc.	3,533,073	116,719	23,593	779
Other related parties	6,001,239	198,257	47,908	1,583
Total	<u>\$9,750,079</u>	<u>\$322,104</u>	<u>\$71,631</u>	<u>\$2,366</u>

G. Property transactions

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

Name	Item	For the year ended December 31, 2012	
		(NT\$)	(US\$)
Cathay Real Estate Development Co., Ltd.	Cathay Land Mark, etc.	\$34,623	\$1,192
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	1,409,314	48,513
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	21,297	733
Total		<u>\$1,465,234</u>	<u>\$50,438</u>

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Name	Item	For the year ended December 31, 2011	
		(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	\$28,888	\$954
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	1,372,764	45,351
Total		<u>\$1,401,652</u>	<u>\$46,305</u>

During the years ended December 31, 2012 and 2011, the prices of construction contract between Cathay Life and San Ching Engineering Co., Ltd. are in the amount of NT\$5,483,615 (US\$188,765) and NT\$5,483,615 (US\$181,157) thousands, respectively.

During the years ended December 31, 2012 and 2011, the prices of construction contract between Cathay Life and Cathay Real Estate Development Co., Ltd. are in the amount of NT\$49,306 (US\$1,697) and NT\$49,306 (US\$1,629) thousands, respectively.

During the years ended December 31, 2012 and 2011, the prices of construction contract between Cathay Life and Lin Yuan Property Management Co., Ltd. are in the amount of NT\$3,408 (US\$117) and NT\$0 (US\$0) thousands, respectively.

b. Cathay Life acquired real estate from related parties :

Cathay Life did not have any significant transaction with related parties for the year ended December 31, 2012.

Name	Item	For the year ended December 31, 2011	
		(NT\$)	(US\$)
Cathay Real Estate Development Co., Ltd.	Taichung Chunghsing Building and Taichung Yujen Commercial Building	<u>\$3,372,700</u>	<u>\$111,421</u>

Cathay Life already transferred the real estate ownership to Cathay Real Estate Development Co., Ltd., and the transaction price was referred to related report from professional appraisal institution.

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c. Real estate rental income from Cathay Life:

Name	Rental income			
	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Real Estate Development Co., Ltd.	\$17,351	\$597	\$19,316	\$638
Cathay General Hospital	174,620	6,011	179,855	5,942
San Ching Engineering Co., Ltd.	6,120	211	8,204	271
Cathay Securities Investment Consulting Co., Ltd.	9,244	318	9,438	312
Cathay Healthcare Inc.	31,440	1,082	4,595	151
Total	<u>\$238,775</u>	<u>\$8,219</u>	<u>\$221,408</u>	<u>\$7,314</u>

Name	Guarantee deposits received			
	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Real Estate Development Co., Ltd.	\$4,028	\$138	\$4,028	\$133
Cathay General Hospital	10,166	350	13,194	436
Cathay Healthcare Inc.	8,012	276	6,894	228
Total	<u>\$22,206</u>	<u>\$764</u>	<u>\$24,116</u>	<u>\$797</u>

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

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

Name	Rental expenses			
	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Real Estate Development Co., Ltd.	\$37,949	\$1,306	\$40,312	\$1,332
Seaward Leasing Ltd.	-	-	8,757	289
Total	<u>\$37,949</u>	<u>\$1,306</u>	<u>\$49,069</u>	<u>\$1,621</u>

Name	Guarantee deposits paid			
	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Real Estate Development Co., Ltd.	<u>\$13,932</u>	<u>\$480</u>	<u>\$3,786</u>	<u>\$125</u>

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

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e. Leasehold improvement acquired by Cathay Securities Investment Trust :

Cathay Securities Investment Trust did not have any significant transaction with related parties for the year ended December 31, 2012.

Name	For the year ended December 31, 2011			
	Cost (NT\$)	Cost (US\$)	Payable (NT\$)	Payable (US\$)
Lin Yuan Property Management Co., Ltd.	\$7,205	\$238	\$-	\$-

H. Securities sold under agreements to repurchase

Name	December 31, Ending balance			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Other related parties	\$60,081	\$2,068	\$1,300,456	\$42,962

Name	For the years ended December 31, Interest expenses			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Other related parties	\$251	\$9	\$1,799	\$59

I. Payables

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Seaward Card	\$26,131	\$900	\$27,223	\$899
Lin Yuan Property Management Co., Ltd.	3,580	123	5,294	175
San Ching Engineering Co., Ltd.	326	11	23,331	771
Vietinbank	407,904	14,041	-	-
Total	\$437,941	\$15,075	\$55,848	\$1,845

J. Guarantee deposits

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Lin Yuan Property Management Co., Ltd.	\$5,000	\$172	\$5,000	\$165

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share data and unless otherwise stated)**

The guarantee deposits received from Lin Yuan Property management Co., Ltd. are due to the construction contracts.

K. Net commission and handling fees

a. Handling fee income

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Securities Investment Consulting	\$7,943	\$273	\$4,490	\$148

b. Reinsurance handling fee paid

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Insurance (Bermuda)	\$9,412	\$324	\$9,087	\$300

L. Net premiums from insurance business

a. Insurance income

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay General Hospital	\$47,979	\$1,652	\$41,046	\$1,356
Seaward Leasing Ltd.	-	-	3,701	122
San Ching Engineering Co., Ltd.	6,054	208	3,374	111
Cathay Real Estate Development Co., Ltd.	8,324	287	4,503	149
Other related parties	103,346	3,557	257,926	8,521
Total	\$165,703	\$5,704	\$310,550	\$10,259

b. Reinsurance income

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Insurance (Bermuda)	\$130,785	\$4,502	\$123,882	\$4,093

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share data and unless otherwise stated)**

Since April 1, 2000, Cathay Insurance (Bermuda) has engaged in the reinsurance business providing reinsurance for RGA Global Reinsurance Company and Central Reinsurance Corporation's accidental insurance. For the year ended December 31, 2012 and 2011, Cathay Life assumes 90% of the reinsurance business from Cathay Insurance (Bermuda).

c. Reinsurance claims payment

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Insurance (Bermuda)	\$136,340	\$4,693	\$92,156	\$3,044

d. Reinsurance commission expense

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Insurance (Bermuda)	\$3,105	\$107	\$2,972	\$98

M.Net other non-interest income

a. Sales

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Real Estate Development Co., Ltd.	\$1,095	\$38	\$3,854	\$127
Cathay General Hospital	26,953	928	9,418	311
Total	\$28,048	\$966	\$13,272	\$438

b. Service income

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay General Hospital	\$10,341	\$356	\$5,894	\$195
China Eastern Airlines Co., Ltd.	6,109	210	5,230	173
Total	\$16,450	\$566	\$11,124	\$368

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c. Management fee income

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Bond Fund etc.	\$874,607	\$30,107	\$912,740	\$30,153
Other related parties	5,724	197	1,135	38
Total	<u>\$880,331</u>	<u>\$30,304</u>	<u>\$913,875</u>	<u>\$30,191</u>

d. Miscellaneous income

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay General Hospital	<u>\$5,467</u>	<u>\$188</u>	<u>\$6,035</u>	<u>\$199</u>

N. Operating expense

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Securities Investment Consulting	\$25,358	\$873	\$25,358	\$838
Seaward Card	336,741	11,592	330,465	10,917
Lin Yuan Property Management Co., Ltd.	637,411	21,942	590,913	19,521
Cathay General Hospital	5,772	198	15,727	520
Cathay Real Estate Development Co., Ltd.	24,451	841	16,366	541
Seaward Leasing Ltd.	-	-	9,421	311
San Ching Engineering Co., Ltd.	3,769	130	3,304	109
Cathay Healthcare Inc.	9,551	329	39	1
Total	<u>\$1,043,053</u>	<u>\$35,905</u>	<u>\$991,593</u>	<u>\$32,758</u>

O. Futures traders' equity

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Dragon Fund etc.	<u>\$166,848</u>	<u>\$5,743</u>	<u>\$-</u>	<u>\$-</u>

P. Others Disclosures

- a. Cathay United Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management Co., Ltd. in the amount of NT\$4,006 (US\$138) thousands and NT\$11,961 (US\$395) thousands during the years ended December 31, 2012 and 2011, respectively.

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- b. Cathay United Bank sold its land and buildings to Cathay Real Estate Development Co., Ltd. for NT\$1,925,949 (US\$66,298) (taxes were deducted) during the year ended December 31, 2012, the relevant carrying values was NT\$388,064 (US\$13,359) and the disposal gains of premises and equipment was NT\$1,537,885 (US\$52,939).

(3) The Company's significant transactions with related parties

A. Cash in bank

		For the year ended December 31, 2012		
Name	Item	Ending balance	Interest income	
		(NT\$)	Rate	(NT\$)
Cathay United Bank	Cash in bank	\$5,981	0.05%~0.17%	\$173
	Time deposit	87,408	0.43%~0.88%	2,101
	Total	<u>\$93,389</u>		<u>\$2,274</u>

		For the year ended December 31, 2012		
Name	Item	Ending balance	Interest income	
		(US\$)	Rate	(US\$)
Cathay United Bank	Cash in bank	\$206	0.05%~0.17%	\$6
	Time deposit	3,009	0.43%~0.88%	72
	Total	<u>\$3,215</u>		<u>\$78</u>

		For the year ended December 31, 2011		
Name	Item	Ending balance	Interest income	
		(NT\$)	Rate	(NT\$)
Cathay United Bank	Cash in bank	<u>\$60,579</u>	0.02%~0.17%	<u>\$106</u>

		For the year ended December 31, 2011		
Name	Item	Ending balance	Interest income	
		(US\$)	Rate	(US\$)
Cathay United Bank	Cash in bank	<u>\$2,001</u>	0.02%~0.17%	<u>\$4</u>

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B. Receivables

Name	Item	December 31,			
		2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Life	Interest	\$2,550,995	\$87,814	\$1,642,995	\$54,278
Cathay Century	Receivables due to consolidated income tax and interest	172,887	5,951	103,717	3,426
Cathay Securities	Receivables due to consolidated income tax	111,308	3,832	-	-
Cathay Securities Investment Trust	Receivables due to consolidated income tax	19,154	659	-	-
Total		<u>\$2,854,344</u>	<u>\$98,256</u>	<u>\$1,746,712</u>	<u>\$57,704</u>

C. Guarantee deposits paid

Name	December 31,			
	2012(NT\$)	2012 (US\$)	2011(NT\$)	2011(US\$)
Cathay Life	<u>\$6,604</u>	<u>\$227</u>	<u>\$5,816</u>	<u>\$192</u>

D. Held-to-maturity financial asset

Name	December 31,			
	2012(NT\$)	2012 (US\$)	2011(NT\$)	2011 (US\$)
Cathay Life	\$30,000,000	\$1,032,702	\$30,000,000	\$991,080
Cathay Century	1,000,000	34,424	1,000,000	33,036
Total	<u>\$31,000,000</u>	<u>\$1,067,126</u>	<u>\$31,000,000</u>	<u>\$1,024,116</u>

E. Payables

Name	Item	December 31,			
		2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Life	Payables due to consolidated income tax	\$5,235,287	\$180,216	\$3,055,618	\$100,945
Cathay United Bank	Payables due to consolidated income tax	246,573	8,488	554,163	18,307
Cathay Securities	Payables due to consolidated income tax	-	-	155,365	5,133
Cathay Venture	Payables due to consolidated income tax	2,473	85	6,515	215
Total		<u>\$5,484,333</u>	<u>\$188,789</u>	<u>\$3,771,661</u>	<u>\$124,600</u>

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F. Interest income

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Life	\$908,000	\$31,257	\$827,995	\$27,354
Cathay Century	18,600	640	2,599	86
Total	\$926,600	\$31,897	\$830,594	\$27,440

G. Operating expenses

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Life	\$27,960	\$962	\$25,701	\$849

H. Sales of securities

There is no significant related parties transaction for the year ended December 31, 2012.

Name	Securities	For the year ended December 31, 2011		
		Shares	Amount	
		(thousand)	(NT\$)	(US\$)
Cathay Life	Cathay Securities Investment Trust	17,256	\$1,106,232	\$36,545
Cathay Venture	Cathay Securities Investment Trust	1,618	103,709	3,426
Pai Hsing Investment Co., Ltd.	Cathay Securities Investment Trust	7,603	487,434	16,103
Wan Ta Investment Co., Ltd.	Cathay Securities Investment Trust	4,368	280,015	9,251
Other related parties	Cathay Securities Investment Trust	12,295	788,190	26,039
Total		43,140	\$2,765,580	\$91,364

I. Information about key management personnel compensation:

	For the years ended December 31,			
	2012		2011	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Remunerations including wages, awards, bonus and etc.	\$199,448	\$6,866	\$167,549	\$5,535

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The management of the Company and Subsidiaries includes directors, supervisors, vice general managers and the above. Please refer to the report for annual stockholders' meeting for details of total remunerations paid to above management.

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

A. Cathay Life

a. Cash in banks

		For the year ended December 31, 2012		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in bank	\$16,738,298	0.01%~1.05%	\$17,350
	Time deposit	57,181,698	0.17%~1.40%	443,037
	Total	<u>\$73,919,996</u>		<u>\$460,387</u>

		For the year ended December 31, 2012		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in bank	\$576,189	0.01%~1.05%	\$597
	Time deposit	1,968,389	0.17%~1.40%	15,251
	Total	<u>\$2,544,578</u>		<u>\$15,848</u>

		For the year ended December 31, 2011		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposit	\$9,604,915	0.02%~1.10%	\$13,175
	Cash in bank	53,090,553	0.12%~5.40%	283,343
	Total	<u>\$62,695,468</u>		<u>\$296,518</u>

		For the year ended December 31, 2011		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposit	\$317,308	0.02%~1.10%	\$435
	Cash in bank	1,753,900	0.12%~5.40%	9,361
	Total	<u>\$2,071,208</u>		<u>\$9,796</u>

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b. Other receivables

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Financial Holding (Note 1)	\$5,235,287	\$180,216	\$3,055,618	\$100,945
Cathay Century	141,412	4,868	217,861	7,197
Cathay Life (China)(Note 2)	204,097	7,026	204,097	6,743
Total	<u>\$5,580,796</u>	<u>\$192,110</u>	<u>\$3,477,576</u>	<u>\$114,885</u>

Note 1:Receivables are refundable tax under the consolidated income tax system.

Note 2:Receivables are consisted of other receivables for out-of-pocket IT system expenses.

c. Secured loans

Name	For the year ended December 31, 2012			
	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$3,485,571	\$3,210,519	2.43%~2.55%	\$83,272
Other related parties	510,342	466,722	1.53%~3.78%	768
Total		<u>\$3,677,241</u>		<u>\$84,040</u>

Name	For the year ended December 31, 2012			
	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$119,985	\$110,517	2.43%~2.55%	\$2,867
Other related parties	17,568	16,066	1.53%~3.78%	26
Total		<u>\$126,583</u>		<u>\$2,893</u>

Name	For the year ended December 31, 2011			
	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$3,756,320	\$3,485,571	2.09%~2.55%	\$84,691
Other related parties	344,835	298,171	1.25%~3.78%	5,142
Total		<u>\$3,783,742</u>		<u>\$89,833</u>

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Name	For the year ended December 31, 2011			
	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$124,094	\$115,149	2.09%~2.55%	\$2,798
Other related parties	11,392	9,851	1.25%~3.78%	170
Total		<u>\$125,000</u>		<u>\$2,968</u>

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

Name	Transactions	December 31,			
		2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Dragon					
Fund etc.	Market value	<u>\$2,294,788</u>	<u>\$78,994</u>	<u>\$1,641,409</u>	<u>\$54,226</u>
	cost	<u>\$2,127,934</u>	<u>\$73,251</u>	<u>\$1,523,992</u>	<u>\$50,347</u>

e. Guarantee deposits paid

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Futures	<u>\$364,739</u>	<u>\$12,556</u>	<u>\$511,844</u>	<u>\$16,909</u>

As of December 31, 2012 and 2011, the imputed interest income of guarantee deposits paid from Cathay Futures were NT\$474 (US\$16) thousands and NT\$490 (US\$16) thousands, respectively.

f. Other payables

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Financial				
Holding (Note)	<u>\$2,550,995</u>	<u>\$87,814</u>	<u>\$1,642,995</u>	<u>\$54,278</u>

Note: Interest payable accrued from preferred stock liability.

g. Preferred stock liability

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Financial Holding	<u>\$30,000,000</u>	<u>\$1,032,702</u>	<u>\$30,000,000</u>	<u>\$991,080</u>

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h. Property transactions

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

(a) Real-estate contracted prefect from Cathay Life:

Name	Item	For the year ended December 31, 2012	
		(NT\$)	(US\$)
San Ching Engineering Co., Ltd	Cathay Land Mark, etc.	<u>\$1,409,314</u>	<u>\$48,513</u>

Name	Item	For the year ended December 31, 2011	
		(NT\$)	(US\$)
San Ching Engineering Co., Ltd	Cathay Land Mark etc.	<u>\$1,372,764</u>	<u>\$45,351</u>

During the years ended December 31, 2012 and 2011, the prices of construction contract between Cathay Life and San Ching Engineering Co., Ltd. are in the amount of NT\$5,483,615 (US\$188,765) and NT\$5,483,615 (US\$181,157) thousands, respectively.

(b) Real-estate acquire by Cathay Life:

Cathay Life did not have any significant sale with related parties for the year ended December 31, 2012.

Name	Item	For the year ended December 31, 2011	
		(NT\$)	(US\$)
Cathay United Bank	No. 166-1、166-2, Sec.1, Zhonghua Rd., Wanhua Dist., Taipei 108, Taiwan (R.O.C.)	\$320,000	\$10,571
Cathay Real Estate Development Co., Ltd.	Chung Hing Commercial Building and Yuren Trade Building	<u>3,372,700</u>	<u>111,421</u>
		<u>\$3,692,700</u>	<u>\$121,992</u>

The real estate has already transfer the ownership, and the transaction price was referred to related report from professional appraisal institution.

i. Sale of securities:

Cathay Life did not have any significant sale of securities with related parties for the year ended December 31, 2012.

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Name	Securities	Shares (thousand)	For the year ended December 31, 2011			
			Price of disposal		Gain on disposal	
			2011(NT\$)	2011(US\$)	2011(NT\$)	2011(US\$)
Cathay Financial Holding	Cathay Securities Investment Trust	17,256	\$1,106,232	\$36,545	\$632,746	\$20,903

j. Real estate rental income

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay United Bank	\$352,726	\$12,142	\$339,807	\$11,226
Cathay General Hospital	174,620	6,011	179,855	5,942
Total	\$527,346	\$18,153	\$519,662	\$17,168

k. Premium income

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay United Bank	\$651,850	\$22,439	\$620,289	\$20,492
Other related parties	103,346	3,557	257,926	8,521
Total	\$755,196	\$25,996	\$878,215	\$29,013

l. Reinsurance income

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Insurance (Bermuda)	\$130,785	\$4,502	\$123,882	\$4,093

Since April 1, 2000, Cathay Insurance (Bermuda) has engaged in the reinsurance business providing reinsurance for RGA Global Reinsurance Company and central Reinsurance Corporation's accidental insurance. For the years ended 2012 and 2011, Cathay Life assumed 90% of the reinsurance business from Cathay Insurance (Bermuda).

m. Reinsurance claims payment

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Insurance (Bermuda)	\$136,340	\$4,693	\$92,156	\$3,044

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n. Insurance expense

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Century	\$111,560	\$3,840	\$103,736	\$3,427

o. Miscellaneous income

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Century	\$1,176,280	\$40,492	\$1,163,894	\$38,450
Cathay United Bank	94,630	3,257	101,583	3,356
Cathay Securities Investment Trust	139,359	4,797	106,428	3,516
Total	\$1,410,269	\$48,546	\$1,371,905	\$45,322

p. Operating expense

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay United Bank	\$2,506,115	\$86,269	\$1,717,821	\$56,750
Symphox Information	264,332	9,099	273,619	9,039
Lin Yuan Property Management Co., Ltd.	629,076	21,655	590,913	19,522
Seaward Card	108,827	3,746	88,311	2,917
Total	\$3,508,350	\$120,769	\$2,670,664	\$88,228

q. Non-operating expenses and losses

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Financial Holding	\$908,000	\$31,257	\$827,995	\$27,354
(Note)				

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

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r. Other disclosures

(A) As of December 31, 2012 and 2011, the nominal amounts of the financial instruments transactions with Cathay United Bank are summarized as below:

Item	December 31,			
	2012		2011	
	USD	985,000	USD	1,900,000
CS contracts				

(B) Cathay Life had entered a credit assignment agreement with Cathay United Bank in the amounts of NT\$0 (US\$0) thousands and NT\$1,280,000 (US\$42,286) thousands during the years ended December 31, 2012 and 2011, respectively.

B. Cathay United Bank

a. Loans and deposits

For the year ended December 31,								
Account/Name	2012				2011			
	Ending balance		Interest income		Ending balance		Interest income	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Loans								
Cathay General								
Hospital	\$103,000	\$3,545	\$3,047	\$105	\$103,000	\$3,402	\$4,152	\$137
Other related parties	265,425	9,137	3,253	112	207,829	6,866	4,862	161
Total	\$368,425	\$12,682	\$6,300	\$217	\$310,829	\$10,268	\$9,014	\$298

For the year ended December 31,								
Account/Name	2012				2011			
	Ending balance		Interest expense		Ending balance		Interest expense	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Deposits								
Cathay Life	\$73,919,996	\$2,544,578	\$460,387	\$15,848	\$62,695,468	\$2,071,208	\$296,518	\$9,796
Cathay Futures	1,978,796	68,117	21,587	743	2,289,023	75,620	17,319	572
Cathay Securities	1,797,618	61,880	7,040	242	746,384	24,658	1,304	43
Cathay Century	1,285,715	44,259	11,091	382	1,335,125	44,107	7,663	253
Cathay Securities								
Investment Trust	1,745,795	60,096	12,388	426	1,695,233	56,004	6,449	213
Symphox								
Information	167,730	5,774	2,306	79	277,215	9,158	2,381	79
Cathay Real Estate								
Development								
Co., Ltd.	279,019	9,605	189	7	215,767	7,128	130	4
Cathay Dragon								
Fund etc.	3,258,081	112,154	19,652	677	3,533,073	116,719	23,593	779
Other related parties	6,487,739	223,330	60,372	2,078	6,001,239	198,257	47,908	1,583
Total	\$90,920,489	\$3,129,793	\$595,012	\$20,482	\$78,788,527	\$2,602,859	\$403,265	\$13,322

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For the year ended December 31, 2012							
Account/Name	Maximum amount		Ending balance		Rate	Interest income (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	<u>\$3,059,280</u>	<u>\$105,311</u>	<u>\$3,059,280</u>	<u>\$105,311</u>	0.30%~2.08%	<u>\$17,308</u>	<u>\$596</u>
Call loans from banks							
Indovina Bank	<u>\$1,019,760</u>	<u>\$35,104</u>	<u>\$-</u>	<u>\$-</u>	0.15%~0.30%	<u>\$(444)</u>	<u>\$(15)</u>

For the year ended December 31, 2011							
Account/Name	Maximum amount		Ending balance		Rate	Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	<u>\$2,120,300</u>	<u>\$70,046</u>	<u>\$2,120,300</u>	<u>\$70,046</u>	0.58%~2.08%	<u>\$15,617</u>	<u>\$516</u>
Call loans from banks							
Indovina Bank	<u>\$1,311,758</u>	<u>\$43,335</u>	<u>\$-</u>	<u>\$-</u>	0.07%~0.32%	<u>\$(694)</u>	<u>\$(23)</u>

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

b. Securities sold under agreements to repurchase

Name	December 31,			
	Ending balance			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Other related parties	<u>\$60,081</u>	<u>\$2,068</u>	<u>\$1,300,456</u>	<u>\$42,962</u>

Name	For the year ended December 31,			
	Interest expense			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Other related parties	<u>\$251</u>	<u>\$9</u>	<u>\$1,799</u>	<u>\$59</u>

c. Handling fees income

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Life	<u>\$2,506,115</u>	<u>\$86,269</u>	<u>\$1,717,821</u>	<u>\$56,750</u>

d. Accrued insurance expense

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Life	<u>\$651,850</u>	<u>\$22,439</u>	<u>\$620,289</u>	<u>\$20,492</u>
Cathay Century	<u>98,341</u>	<u>3,385</u>	<u>101,622</u>	<u>3,357</u>
Total	<u>\$750,191</u>	<u>\$25,824</u>	<u>\$721,911</u>	<u>\$23,849</u>

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e. Rental expense

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Life	\$352,726	\$12,142	\$339,807	\$11,226

f. General expense

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathy Life	\$94,630	\$3,257	\$101,583	\$3,356
Symphox Information	430,341	14,814	475,643	15,713
Seaward Card	227,914	7,846	242,154	8,000
Total	\$752,885	\$25,917	\$819,380	\$27,069

g. Receivables due to consolidated income tax

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Financial Holding	\$246,573	\$8,488	\$554,163	\$18,307

h. Other receivable-cash dividends

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Indovina Bank	\$407,904	\$14,041	\$-	\$-

i. Other disclosures

- (a) Cathay United Bank entered into a contract with Cathay Life to transferring credit facilities. The transferring loan amount were NT\$0 (US\$0) and NT\$1,280,000 (US\$42,286) thousands for the years ended December 31, 2012 and 2011, respectively.
- (b) Cathay United Bank sold its land and building in Taipei to Cathay Life for NT\$316,210 (US\$10,446) thousands (taxes were deducted) during the six-month period ended June 30, 2011, the relevant carrying values were NT\$146,959 (US\$4,855) thousands and the disposal gains of were premises and equipment were NT\$169,251 (US\$5,591) thousands.

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- (c) Cathay United Bank sold its land and building to Cathay Real Estate Development Co., Ltd. for NT\$1,925,949 (US\$66,298) (taxes were deducted) during the year ended December 31, 2012, the relevant carrying values was NT\$388,064 (US\$13,359) and the disposal gains of premises and equipment was NT\$1,537,885 (US\$52,939).

C. Cathay Century

a. Cash in banks

		For the year ended December 31, 2012		
Name	Item	Ending balance		Interest income
		(NT\$)	Rate	(NT\$)
Cathay United Bank	Cash in banks	\$589,915	0.01%~0.75%	\$447
	Time deposits	695,800	0.17%~1.70%	10,644
	Total	<u>\$1,285,715</u>		<u>\$11,091</u>

		For the year ended December 31, 2012		
Name	Item	Ending balance		Interest income
		(US\$)	Rate	(US\$)
Cathay United Bank	Cash in banks	\$20,307	0.01%~0.75%	\$15
	Time deposits	23,952	0.17%~1.70%	367
	Total	<u>\$44,259</u>		<u>\$382</u>

		For the year ended December 31, 2011		
Name	Item	Ending balance		Interest income
		(NT\$)	Rate	(NT\$)
Cathay United Bank	Cash in banks	\$420,125	0.17%	\$556
	Time deposits	915,000	0.10%~1.345%	7,107
	Total	<u>\$1,335,125</u>		<u>\$7,663</u>

		For the year ended December 31, 2011		
Name	Item	Ending balance		Interest income
		(US\$)	Rate	(US\$)
Cathay United Bank	Cash in banks	\$13,879	0.17%	\$18
	Time deposits	30,228	0.10%~1.345%	235
	Total	<u>\$44,107</u>		<u>\$253</u>

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share data and unless otherwise stated)**

b. Premium income

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Life	\$111,560	\$3,840	\$103,736	\$3,427
Cathay United Bank	98,341	3,385	101,622	3,357
Total	<u>\$209,901</u>	<u>\$7,225</u>	<u>\$205,358</u>	<u>\$6,784</u>

c. Other payables

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Life	\$141,412	\$4,868	\$217,861	\$7,197
Cathay Financial Holding	172,887	5,951	103,717	3,426
Total	<u>\$314,299</u>	<u>\$10,819</u>	<u>\$321,578</u>	<u>\$10,623</u>

d. Operating expense

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Life	<u>\$1,176,280</u>	<u>\$40,492</u>	<u>\$1,163,894</u>	<u>\$38,450</u>

e. Preferred stock liability

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Financial Holding	<u>\$1,000,000</u>	<u>\$34,424</u>	<u>\$1,000,000</u>	<u>\$33,036</u>

f. Other disclosures

As of December 31, 2012 and 2011 the nominal amount of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	December 31,			
	2012		2011	
CS contracts	USD	75,250	USD	41,050
IRS	NTD	400,000	NTD	600,000
	(USD	13,769)	(USD	19,822)

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		For the year ended December 31, 2012		
Name	Item	Ending balance	Interest income	
		(NT\$)	Rate	(NT\$)
Cathay United Bank	Cash in banks	\$647,618	0.17%	\$477
	Time deposits	1,150,000	0.50%~0.95%	6,563
	Total	<u>\$1,797,618</u>		<u>\$7,040</u>

		For the year ended December 31, 2012		
Name	Item	Ending balance	Interest income	
		(US\$)	Rate	(US\$)
Cathay United Bank	Cash in banks	\$22,293	0.17%	\$16
	Time deposits	39,587	0.50%~0.95%	226
	Total	<u>\$61,880</u>		<u>\$242</u>

		For the year ended December 31, 2011		
Name	Item	Ending balance	Interest income	
		(NT\$)	Rate	(NT\$)
Cathay United Bank	Cash in banks	\$108,484	0.05%~1.10%	\$313
	Time deposits	637,900	0.47%~1.345%	991
	Total	<u>\$746,384</u>		<u>\$1,304</u>

		For the year ended December 31, 2011		
Name	Item	Ending balance	Interest income	
		(US\$)	Rate	(US\$)
Cathay United Bank	Cash in banks	\$3,584	0.05%~1.10%	\$10
	Time deposits	21,074	0.47%~1.345%	33
	Total	<u>\$24,658</u>		<u>\$43</u>

As of December 31, 2012 and 2011, the account of NT\$1,000,000 (US\$34,423) thousands and NT\$587,900 (US\$19,422) thousands in bank account are pledged as collateral for the overdraft in settlement account and accounted as restricted assets-current. No other cash in bank has been pledged as collateral.

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b. Other receivables

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Financial Holding	\$-	\$-	\$155,365	\$5,133

c. Other payables

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Financial Holding	\$111,308	\$3,832	\$-	\$-

(Note)

d. Clearing and settlement fees, dealing handling fee expense and margin for futures trading-own funds

For the year ended December 31, 2012								
Name	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Futures	\$-	\$-	\$-	\$-	\$-	\$-	\$535,174	\$18,423

For the year ended December 31, 2011								
Name	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Futures	\$-	\$-	\$-	\$-	\$-	\$-	\$454,706	\$15,022

E. Cathay Securities Investment Trust

a. Cash in bank, Operating deposit and Refundable deposit

For the year ended December 31, 2012				
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in bank	\$25,245	0.17%	\$3
	Time deposits			
	(Note)	1,720,550	0.18%~1.395%	12,385
	Total	\$1,745,795		\$12,388

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		For the year ended December 31, 2012		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in bank	\$869	0.17%	\$-
	Time deposits			
	(Note)	59,227	0.18%~1.395%	426
	Total	<u>\$60,096</u>		<u>\$426</u>

		For the year ended December 31, 2011		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in bank	\$15,783	0.13%~0.17%	\$30
	Time deposits			
	(Note)	1,679,450	0.365%~1.345%	6,419
	Total	<u>\$1,695,233</u>		<u>\$6,449</u>

		For the year ended December 31, 2011		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in bank	\$522	0.13%~0.17%	\$1
	Time deposits			
	(Note)	55,482	0.365%~1.345%	212
	Total	<u>\$56,004</u>		<u>\$213</u>

Note: As of December 31, 2012 and 2011, according to Standards Governing the Establishment of Futures Trust Enterprises and Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises, Cathay Securities Investment Trust reserve NT\$50,000 (US\$1,721) thousands and NT\$50,000 (US\$1,652) thousands respectively of its time deposits in Cathay United Bank as operating deposit. In addition, Cathay Securities Investment Trust reserve NT\$145,000 (US\$4,991) thousands and NT\$128,500 (US\$4,245) thousands respectively as performance bond according to Discretionary Investment Services Contract.

b. Available-for-sale financial assets

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Dragon Fund etc.	<u>\$128,032</u>	<u>\$4,407</u>	<u>\$118,147</u>	<u>\$3,903</u>

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c Management fee income

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Dragon Fund etc.	\$874,607	\$30,107	\$912,740	\$30,153

d. Operating expenses

Name	For the year ended December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011 (US\$)
Cathay Life	\$139,359	\$4,797	\$106,428	\$3,516

G. Cathay Futures

a. Cash in bank, cash equivalent and operating deposits

Name	Item	For the year ended December 31, 2012		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in bank	\$15,231	0.17%	\$26
	Time deposits (Note)	342,300	0.52%~1.345%	4,402
	Total	\$357,531		\$4,428

Name	Item	For the year ended December 31, 2012		
		Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in bank	\$524	0.17%	\$1
	Time deposits (Note)	11,783	0.52%~1.345%	151
	Total	\$12,307		\$152

Name	Item	For the year ended December 31, 2011		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in bank	\$18,205	0.17%	\$28
	Time deposits (Note)	347,200	0.27%~1.345%	3,632
	Total	\$365,405		\$3,660

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		For the year ended December 31, 2011		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in bank	\$601	0.17%	\$1
	Time deposits			
	(Note)	11,470	0.27%~1.345%	120
	Total	<u>\$12,071</u>		<u>\$121</u>

Note: As of December 31, 2012 and 2011, Cathay Futures has time deposit amounting to NT\$65,000 (US\$2,238) thousands and NT\$60,000(US\$1,982) thousands in Cathay United Bank as the guaranty bond, in accordance with Article 14 of Rules Governing Futures Commission Merchants、Article 10 of Regulation Governing Futures Advisory Enterprises and Article 7 of Rules Governing Securities Investment Trust Enterprises

b. Customer's margin accounts

For the year ended December 31, 2012					
Name	Ending balance		Rate	Interest income	
	(NT\$)	(US\$)		(NT\$)	(US\$)
Cathay United Bank	<u>\$1,621,265</u>	<u>\$55,810</u>	0.04%~1.345%	<u>\$17,159</u>	<u>\$591</u>

For the year ended December 31, 2011					
Name	Ending balance		Rate	Interest income	
	(NT\$)	(US\$)		(NT\$)	(US\$)
Cathay United Bank	<u>\$1,923,618</u>	<u>\$63,549</u>	0.02%~1.345%	<u>\$13,659</u>	<u>\$451</u>

c. Futures customers' equity

Name	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Life	\$364,739	\$12,556	\$511,844	\$16,909
Cathay Securities	535,174	18,423	454,706	15,022
Cathay Dragon Fund etc.	166,848	5,743	-	-
Total	<u>\$1,066,761</u>	<u>\$36,722</u>	<u>\$966,550</u>	<u>\$31,931</u>

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H. Symphox Information**a. Cash in bank**

For the year ended December 31, 2012				
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in bank	\$7,730	0.17%	\$93
	Time deposit	160,000	1.08%	2,213
Total		<u>\$167,730</u>		<u>\$2,306</u>

For the year ended December 31, 2012				
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in bank	\$266	0.17%	\$3
	Time deposit	5,508	1.08%	76
Total		<u>\$5,774</u>		<u>\$79</u>

For the year ended December 31, 2011				
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in bank	\$7,008	0.10%	\$84
	Time deposit	270,207	0.40%~1.08%	2,297
		<u>\$277,215</u>		<u>\$2,381</u>

For the year ended December 31, 2011				
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in bank	\$231	0.10%	\$3
	Time deposit	8,927	0.40%~1.08%	76
		<u>\$9,158</u>		<u>\$79</u>

b. Sales revenue

For the year ended December 31,				
Name	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay United Bank	<u>\$263,599</u>	<u>\$9,074</u>	<u>\$303,245</u>	<u>\$10,018</u>

c. Service income

For the year ended December 31,				
Name	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Life	\$180,067	\$6,198	\$178,483	\$5,897
Cathay United Bank	166,742	5,740	172,398	5,695
Total	<u>\$346,809</u>	<u>\$11,938</u>	<u>\$350,881</u>	<u>\$11,592</u>

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I. Indovina Bank

a. Call loans from banks

For the year ended December 31, 2012				
Name	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$3,059,280	\$105,311	\$17,308	\$596
Vietinbank	2,797,772	96,309	132,414	4,558
Total	\$5,857,052	\$201,620	\$149,722	\$5,154

For the year ended December 31, 2011				
Name	Ending balance (NT\$)	Ending balance (US\$)	Interest income (NT\$)	Interest income (US\$)
Cathay United Bank	\$2,120,300	\$70,046	\$15,617	\$516
Vietinbank	4,072,018	134,523	54,979	1,816
Total	\$6,192,318	\$204,569	\$70,596	\$2,332

b. Call loans to banks

For the year ended December 31, 2012				
Name	Ending balance (NT\$)	Ending balance (US\$)	Interest income (NT\$)	Interest income (US\$)
Vietinbank	\$6,376,067	\$219,486	\$217,002	\$7,470

For the year ended December 31, 2012				
Name	Ending balance (NT\$)	Ending balance (US\$)	Interest income (NT\$)	Interest income (US\$)
Vietinbank	\$5,731,948	\$189,361	\$83,193	\$2,748

c. Deposits

For the year ended December 31, 2012				
Name	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay Century (Vietnam)	\$326,295	\$11,232	\$24,397	\$840

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For the year ended December 31, 2011				
Name	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay Century (Vietnam)	\$433,341	\$14,316	\$41,785	\$1,380

d. Dividends payables

December 31,				
Name	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay United Bank	\$407,904	\$14,041	\$-	\$-
Vietinbank	407,904	14,041	-	-
Total	\$815,808	\$28,082	\$-	\$-

J. Cathay Life (China)

Other payables

December 31,				
Name	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Cathay Life	\$204,097	\$7,026	\$204,097	\$6,743

K. Cathay Century (Vietnam)

Cash in bank

For the year ended December 31, 2012				
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Indovina Bank	Cash in bank	\$4,066	0.10%~1.50%	\$18
	Time deposits	322,229	0.50%~14.00%	24,379
	Total	\$326,295		\$24,397

For the year ended December 31, 2012				
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Indovina Bank	Cash in bank	\$140	0.10%~1.50%	\$1
	Time deposits	11,092	0.50%~14.00%	839
	Total	\$11,232		\$840

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		For the year ended December 31, 2011		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Indovina Bank	Cash in bank	\$17,044	0.10%~2.40%	\$186
	Time deposits	416,297	1.00%~14.00%	41,599
	Total	<u>\$433,341</u>		<u>\$41,785</u>

		For the year ended December 31, 2011		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Indovina Bank	Cash in bank	\$563	0.10%~2.40%	\$6
	Time deposits	13,753	1.00%~14.00%	1,374
	Total	<u>\$14,316</u>		<u>\$1,380</u>

29. Pledged assets

As of December 31, 2012 and 2011, the Company and its subsidiaries' pledged assets are summarized below:

		Carrying amount			
Item	Guarantee purpose	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Time deposits	Correspondent deposit,				
	collateral for the over-loaning of settlement accounts, loan, other financial or leasing	\$2,559,994	\$88,124	\$2,194,023	\$72,482
Guarantee deposits paid	Government bonds	10,277,450	353,785	11,153,999	368,484
Financial assets at fair value through profit or loss	Business reserves and guarantees, the operation of electronic gift certificate and customer's rights	45,103	1,552	39,313	1,299
	Available-for-sale financial assets	1,603,158	55,186	1,504,328	49,697
Held-to-maturity financial assets	Business reserves and guarantees	610,570	21,018	635,080	20,980
Investments in debt securities with no active market	Business reserves and guarantees	50,100,000	1,724,613	38,500,000	1,271,886
Other financial assets	Business reserves and guarantees	10	-	-	-
Total		<u>\$65,196,285</u>	<u>\$2,244,278</u>	<u>\$54,026,743</u>	<u>\$1,784,828</u>

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30.Commitment and contingent liabilities

(1) Cathay United Bank

A. Lee and Li Attorneys-at-Law and SanDisk Corporation filed lawsuits in the 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 NT\$0.99 billion (US\$34 million) and NT\$3.09 billion (US\$106 million), respectively. Cathay United Bank has been advised by its legal advisor that it is possible, but not probable, that the action will succeed and accordingly no provision for such claims has been made in these financial statements.

B. As of December 31, 2012, Cathay United Bank had entered into certain contracts to purchase premises and equipment totaling NT\$446,566 (US\$15,372) thousands with prepayments of NT\$139,929 (US\$4,817) thousands.

(2) Cathay Securities

As of December 31, 2012, Cathay Securities requested banks to issue letters of guarantees for warrants issuance of NT\$430,000 (US\$14,802) thousands.

(3) As of December 31, 2012 and 2011, Cathay United Bank had the following commitments and contingent liabilities, which were not reflected in the financial statements:

Item	December 31,			
	2012(NT\$)	2012(US\$)	2011(NT\$)	2011(US\$)
Trust and security held for safekeeping	\$337,334,621	\$11,612,207	\$283,313,658	\$9,359,553
Travelers checks for sale	462,167	15,909	419,563	13,861
Bills for collection	39,523,311	1,360,527	46,271,479	1,528,625
Book-entry for government bonds and depository for short-term marketable securities under management	564,494,500	19,431,824	548,802,600	18,130,248
Entrusted financial management business	2,385,838	82,129	2,670,038	88,207
Guarantees on duties and contracts	12,081,454	415,885	13,245,165	437,567
Unused commercial letters of credit	4,281,218	147,374	4,308,561	142,338
Irrevocable loan commitments	34,415,264	1,184,691	51,897,159	1,714,475
Credit card lines commitments	295,794,164	10,182,243	282,315,962	9,326,593
Stamp tax, securities and memorial currency consignments	1,006	35	1,006	33

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

Periods	(NT\$)	(US\$)
January 1, 2013~ December 31, 2013	\$879,398	\$30,272
January 1, 2014~ December 31, 2017	1,228,925	42,304
Total	<u>\$2,108,323</u>	<u>\$72,576</u>

31. Significant disaster losses: None.

32. Subsequent events: None.

33. Other significant matters

- (1) Pension related information

According to the ROC SFAS No. 23 “Interim Financial Reporting and Disclosures”, the interim financial statements are not required to follow the principles outlined in the ROC SFAS No. 18 “Accounting for Pensions”.

A. Net periodic pension cost:

	For the year ended December 31,			
	2012		2011	
	(NT\$)	(US\$)	(NT\$)	(US\$)
(1) Service cost	\$484,332	\$16,672	\$508,517	\$16,799
(2) Interest cost	281,119	9,677	273,295	9,029
(3) Projected return on plan assets	(189,957)	(6,539)	(255,159)	(8,430)
(4) Amortization of unrealized gain on pension	(110)	(4)	(132)	(4)
(5) Amortization of unrealized transit on obligation	2,502	86	2,410	80
(6) Net amortization	84,259	2,901	86,759	2,866
(7) Amortization of prior service cost	51,734	1,781	51,734	1,709
(8) Amortization of gain or loss	59,287	2,041	(69,395)	(2,293)
(9) Others	5	-	-	-
(10) Net periodic pension cost	<u>\$773,171</u>	<u>\$26,615</u>	<u>\$598,029</u>	<u>\$19,756</u>

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B. Pension funded status:

	December 31,			
	2012		2011	
	(NT\$)	(US\$)	(NT\$)	(US\$)
(1) Vested benefit obligation	\$ (9,889,076)	\$ (340,416)	\$ (9,004,195)	\$ (297,462)
(2) Non-vested benefit obligation	(4,184,288)	(144,037)	(4,056,268)	(134,003)
(3) Accumulated benefit obligation	(14,073,364)	(484,453)	(13,060,463)	(431,465)
(4) Additional benefits based on future salaries	(1,975,558)	(68,006)	(1,756,254)	(58,020)
(5) Projected benefit obligation	(16,048,922)	(552,459)	(14,816,717)	(489,485)
(6) Fair value of plan assets	12,057,636	415,065	10,163,151	335,750
(7) Funded status=(5)+(6)	(3,991,286)	(137,394)	(4,653,566)	(153,735)
(8) Unrecognized transitional net assets	42,890	1,476	84,703	2,798
(9) Unrecognized prior service cost	-	-	-	-
(10) Unrecognized pension gain and loss	2,280,554	78,505	3,130,715	103,427
(11) Additional accrued pension liability	(1,123,074)	(38,660)	(1,494,542)	(49,374)
(12) Others	(6)	-	-	-
(13) Accrued pension liability / prepaid pension cost=(7)+(8)+(9)+(10)+(11)	<u>\$ (2,790,922)</u>	<u>\$ (96,073)</u>	<u>\$ (2,932,690)</u>	<u>\$ (96,884)</u>
(14) Vested benefit	<u>\$12,376,479</u>	<u>\$426,041</u>	<u>\$11,380,902</u>	<u>\$375,980</u>

C. Actuarial assumptions

	For the year ended December 31,	
	2012	2011
(1) Discount rate	1.75%~2.00%	2.00%
(2) Rate of increase in future salaries	1.50%~3.00%	1.50%~3.00%
(3) Rate of increase in future salaries (legwork)	Adjust by seniority	Adjust by seniority
(4) Expected return on pension plan assets	1.75%~2.00%	2.00%

(2) Financial instruments related information

A. The company and its subsidiaries

- 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:

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Financial instruments measured at fair value item	December 31, 2012							
	Total		1 st Level		2 nd Level		3 rd Level	
	NT(\$)	US(\$)	NT(\$)	US(\$)	NT(\$)	US(\$)	NT(\$)	US(\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Stocks	\$14,880,432	\$512,235	\$14,400,582	\$495,717	\$479,850	\$16,518	\$-	\$-
Bonds	7,721,892	265,814	2,866,200	98,664	4,855,692	167,150	-	-
Others	114,488,077	3,941,070	37,034,312	1,274,847	77,453,765	2,666,223	-	-
Available-for-sale financial assets:								
Stocks	283,881,298	9,772,162	283,849,826	9,771,079	31,472	1,083	-	-
Bonds	890,861,870	30,666,501	55,641,477	1,915,369	835,220,393	28,751,132	-	-
Others	110,177,697	3,792,692	88,229,854	3,037,172	19,951,630	686,803	1,996,213	68,717
Other financial assets:								
Investments in debt securities with no active market	813,141,357	27,991,097	57,768,544	1,988,590	747,841,526	25,743,254	7,531,287	259,253
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	1,503,682	51,762	1,503,682	51,762	-	-	-	-
<u>Derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss	10,054,649	346,115	648,848	22,335	9,405,801	323,780	-	-
Other financial assets:								
Derivatives financial assets for hedging	2,362,366	81,321	17,134	590	2,345,232	80,731	-	-
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	7,215,020	248,365	203,241	6,996	7,011,779	241,369	-	-

Financial instruments measured at fair value item	December 31, 2011							
	Total		1 st Level		2 nd Level		3 rd Level	
	NT(\$)	US(\$)	NT(\$)	US(\$)	NT(\$)	US(\$)	NT(\$)	US(\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Stocks	\$9,308,657	\$307,521	\$9,308,657	\$307,521	\$-	\$-	\$-	\$-
Bonds	5,497,968	181,631	2,819,597	93,148	2,678,371	88,483	-	-
Others	60,665,577	2,004,148	45,769,150	1,512,030	14,896,427	492,118	-	-
Available-for-sale financial assets:								
Stocks	246,480,749	8,142,740	246,450,249	8,141,733	30,500	1,007	-	-
Bonds	1,001,890,136	33,098,452	24,895,510	822,448	976,994,626	32,276,004	-	-
Others	88,209,007	2,914,074	64,971,448	2,146,397	20,427,218	674,834	2,810,341	92,843
Other financial assets:								
Investments in debt securities with no active market	528,978,714	17,475,346	-	-	526,870,714	17,405,706	2,108,000	69,640
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	1,379,357	45,569	1,379,357	45,569	-	-	-	-
<u>Derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss	9,225,222	304,765	558,663	18,456	8,666,559	286,309	-	-
Other financial assets:								
Derivatives financial assets for hedging	3,425,140	113,153	28,521	942	3,396,619	112,211	-	-
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	21,756,786	718,757	200,363	6,619	21,556,423	712,138	-	-

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b. Statements of change in financial assets measure at fair value classified as 3rd level are summarized as following:

For the year ended December 31, 2012 (NT\$)							
Item	Beginning Balance	Gain or loss recognized	Increase		Decrease		Ending Balance
		as net income or stockholder's equity	Buy in or issue	Transfer to 3 rd level	Sell, dispose or transact	Transfer from 3 rd level	
Financial assets measure at fair value							
Available for sale financial assets	\$2,810,341	\$153,066	\$2,348,485	\$-	\$(3,315,679)	\$-	\$1,996,213
Other financial assets							
Investments in debt securities with no active market	2,108,000	-	5,423,287	-	-	-	7,531,287
Total	\$4,918,341	\$153,066	\$7,771,772	\$-	\$(3,315,679)	\$-	\$9,527,500

For the year ended December 31, 2012 (US\$)							
Item	Beginning Balance	Gain or loss recognized	Increase		Decrease		Ending Balance
		as net income or stockholder's equity	Buy in or issue	Transfer to 3 rd level	Sell, dispose or transact	Transfer from 3 rd level	
Financial assets measure at fair value							
Available for sale financial assets	\$96,742	\$5,269	\$80,843	\$-	\$(114,137)	\$-	\$68,717
Other financial assets							
Investments in debt securities with no active market	72,565	-	186,688	-	-	-	259,253
Total	\$169,307	\$5,269	\$267,531	\$-	\$(114,137)	\$-	\$327,970

For the year ended December 31, 2011 (NT\$)							
Item	Beginning Balance	Gain or loss recognized	Increase		Decrease		Ending Balance
		as net income or stockholder's equity	Buy in or issue	Transfer to 3 rd level	Sell, dispose or transact	Transfer from 3 rd level	
Financial assets measure at fair value							
Available for sale financial assets	\$1,627,674	\$(1,767,042)	\$2,949,709	\$-	\$-	\$-	\$2,810,341
Other financial assets							
Investments in debt securities with no active market	1,108,000	-	1,000,000	-	-	-	2,108,000
Total	\$2,735,674	\$(1,767,042)	\$3,949,709	\$-	\$-	\$-	\$4,918,341

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For the year ended December 31, 2011 (US\$)							
Item	Beginning Balance	Gain or loss recognized as net income or stockholder's equity	Increase		Decrease		Ending Balance
			Buy in or issue	Transfer to 3 rd level	Sell, dispose or transact	Transfer from 3 rd level	
Financial assets measure at fair value							
Available for sale financial assets	\$53,772	\$(58,376)	\$97,447	\$-	\$-	\$-	\$92,843
Other financial assets							
Investments in debt securities with no active market	36,604	-	33,036	-	-	-	69,640
Total	\$90,376	\$(58,376)	\$130,483	\$-	\$-	\$-	\$162,483

B. The Company

a. Information of fair value

Item	December 31, 2012			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$7,141,598	\$7,141,598	\$245,838	\$245,838
Receivables	6,454,364	6,454,364	222,181	222,181
Held-to-maturity financial assets	31,000,000	31,000,000	1,067,126	1,067,126
Investments under equity method	252,085,633	252,085,633	8,677,646	8,677,646
Other financial assets	538,407	538,407	18,534	18,534
<u>Liabilities</u>				
Payables	5,940,874	5,940,874	204,505	204,505
Bond payables	47,312,376	47,312,376	1,628,653	1,628,653
<u>Derivative financial instrument</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	182,100	182,100	6,269	6,269

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Item	December 31, 2011			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$4,121,526	\$4,121,526	\$136,159	\$136,159
Receivables	5,207,033	5,207,033	172,020	172,020
Held-to-maturity financial assets	31,000,000	31,000,000	1,024,116	1,024,116
Investments under equity method	223,253,372	223,253,372	7,375,401	7,375,401
Other financial assets	538,407	538,407	17,787	17,787
<u>Liabilities</u>				
Payables	6,103,726	6,103,726	201,643	201,643
Bonds payables	40,000,000	40,000,000	1,321,440	1,321,440

b. The methods and assumptions used to estimate the fair values of the financial instruments are as follows:

- (a) The fair value of the Company's short-term financial instruments is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, receivables, payables and other financial assets.
- (b) The fair value of bonds payables is in accordance with the term of issuance.
- (c) The fair value of the Company's financial instruments is based on market prices if available at the reporting date. When market prices are not available, the fair value is based on carrying amount or other relevant financial information.
- (d) If no quoted market prices exist for the Company's investments accounted for equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.

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- (e) The fair value of embedded derivative financial assets from bonds payable is calculated by the processes of evaluation method.
- (f) The Company's fair value of CCS based on the data of quotation from counterparties and from the Bloomberg information system, respectively. The calculation of fair value of CCS is derived contract by contract and the valuation of quotation mentioned previously is based on substance of transactions consistently.
- c. The fair value of the Company's financial assets or liabilities determined by quoted market price or pricing models is summarized as following:

Financial instruments	December 31, 2012			
	Based on the quoted market		Based on pricing models	
	price			
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$3,714,719	\$127,873	\$3,426,879	\$117,965
Receivables	-	-	6,454,364	222,181
Held-to-maturity financial assets	-	-	31,000,000	1,067,126
Investments under equity method	-	-	252,085,633	8,677,646
Other financial assets	-	-	538,407	18,534
<u>Liabilities</u>				
Payables	-	-	5,940,874	204,505
Bonds payable	-	-	47,312,376	1,628,653
<u>Derivative financial instrument</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	182,100	6,269

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Financial instruments	December 31, 2011			
	Based on the quoted market		Based on pricing	
	price		models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,721,910	\$89,921	\$1,399,616	\$46,238
Receivables	-	-	5,207,033	172,020
Held-to-maturity financial assets	-	-	31,000,000	1,024,116
Investments under equity method	-	-	223,253,372	7,375,401
Other financial assets	-	-	538,407	17,787
<u>Liabilities</u>				
Payables	-	-	6,103,726	201,643
Bonds payable	-	-	40,000,000	1,321,440

d. Information on financial risks

(a) Risk of interest rate

The Company's exposure to interest rate risk is minimal.

(b) Credit risk

The Company's exposure to credit risk is minimal.

e. Financial risk management objectives and policies

The Company's financial assets primarily consist of cash and cash equivalents, short-term notes, domestic common stocks, and Cathay Life's and Cathay Century's preferred stocks.

The primary risks involved in these derivative transactions are market risk, credit risk, operational risk and liquidity risk. In addition to the risk management policies and guidance, the Company has also established risk management systems such as the VaR model, the credit evaluation model, the integrated appraisal and collection and the concentration management systems to monitor and manage the Company's risks.

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Market Risk

Market risk is the exposure to uncertain market value of a portfolio, including interest rate risk and exchange rate risk. The Company conducts analysis and assessments of the investment targets before any investment decisions are made. In addition, VaR model in connection with atmosphere simulation methods, stress test methods, Position Limit, VaR Limit and Loss Limit are used to effectively manage the market risk of the Company's financial assets.

Credit Risk

Credit risk is the risk of loss arising from the potential default of the counter-party. An internal credit risk evaluation model for investments in financial instruments is created based on external credit assessments and various characteristics of financial instruments. The Company also monitors the credit risk level of the investment targets, issuers or counterparties by evaluating the credit concentration of the investments or counterparties.

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 has adopted and implemented the internal control regulations and procedures. The Company has also commenced the development of information systems to accommodate and support the aforementioned policies.

Liquidity Risk

Liquidity risk is the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. The Company has primarily sought to achieve the flexible cash flow and stable liquidity by utilizing the deposits in financial institutions and short-term notes (includes repurchase agreement). In pursuit of these goals, the Company also conducts analysis of assets allocation, liquid asset ratio and cash flows to ensure the effectiveness and timeliness of managing liquidity risk.

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B. Cathay Life

a. Information of fair value

Item	December 31, 2012			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$379,738,487	\$379,738,487	\$13,071,893	\$13,071,893
Receivables	60,115,199	60,115,199	2,069,370	2,069,370
Financial assets at fair value through profit or loss	67,461,849	67,461,849	2,322,267	2,322,267
Available-for-sale financial assets	1,210,730,123	1,210,730,123	41,677,457	41,677,457
Financial assets carried at cost	10,707,797	(Note)	368,599	(Note)
Investments under equity method	7,144,025	7,144,025	245,922	245,922
Investments in debt securities with no active market	797,490,830	847,858,784	27,452,352	29,186,189
Other financial assets	23,500,000	23,500,000	808,950	808,950
Guarantee deposits paid	13,149,796	13,149,796	452,661	452,661
<u>Liabilities</u>				
Payables	37,262,033	37,262,033	1,282,686	1,282,686
Preferred stock liability	30,000,000	30,464,799	1,032,702	1,048,702
Guarantee deposits received	2,072,652	2,072,652	71,348	71,348
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Forward, CS and CCS	4,725,696	4,725,696	162,675	162,675
IRS and CDS	241,668	241,668	8,319	8,319
Derivative financial assets for hedging				
IRS and CDS	1,142,094	1,142,094	39,315	39,315
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Forward, CS and CCS	1,972,791	1,972,791	67,910	67,910
IRS and CDS	106,666	106,666	3,672	3,672

Note: In reality, the fair value of the specified items can't be accountably measured

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Item	December 31, 2011			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instrument</u>				
<u>Assets</u>				
Cash and cash equivalents	\$374,353,961	\$374,353,961	\$12,367,161	\$12,367,161
Receivables	45,684,727	45,684,727	1,509,241	1,509,241
Financial assets at fair value through profit or loss	55,536,230	55,536,230	1,834,695	1,834,695
Available-for-sale financial assets	1,274,860,140	1,274,860,140	42,116,291	42,116,291
Financial assets carried at cost	10,191,832	(Note)	336,697	(Note)
Investments under the equity method	4,016,883	4,016,883	132,702	132,702
Investments in debt securities with no active market	509,504,264	510,371,049	16,831,988	16,860,623
Other financial assets	13,300,000	13,300,000	439,379	439,379
Guarantee deposits paid	14,429,380	14,429,380	476,689	476,689
<u>Liabilities</u>				
Payables	22,003,803	22,003,803	726,918	726,918
Preferred stock liability	30,000,000	30,580,870	991,080	1,010,270
Guarantee deposits received	1,956,964	1,956,964	64,650	64,650
<u>Derivative-financial instrument</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Option	152,026	152,026	5,022	5,022
Forward, CS and CCS	3,775,175	3,775,175	124,717	124,717
IRS and CDS	257,176	257,176	8,496	8,496
Derivative financial assets for hedging				
IRS and CDS	1,957,846	1,957,846	64,679	64,679
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Forward, CS and CCS	17,101,959	17,101,959	564,980	564,980
IRS and CDS	366,942	366,942	12,122	12,122

Note: In reality, the fair value of the specified items can't be accountably measured.

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- b. The methods and assumptions used to estimate the fair values of Cathay Life's financial instruments are as follows:
- (a) The fair value of Cathay Life's cash, cash equivalents, receivables and payables is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments.
 - (b) The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount as Cathay Life predicts the future cash inflow or outflow will be of similar amount to the carrying value.
 - (c) Quoted market price, if available, is utilized as estimates of the fair value of financial instruments. If no quoted market prices exist for Cathay Life's financial assets, the fair value of those assets is derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price available to Cathay Life. Cathay Life uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.
 - (d) The fair value of Cathay Life's financial instruments is based on market prices if available at the reporting date. When market prices are not available, the fair value is based on carrying amount or other relevant financial information.
 - (e) If no quoted market prices exist for Cathay Life's investments accounted for under the equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.

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c. As of December 31, 2012 and 2011, the fair values of financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Financial instruments	December 31, 2012			
	Based on the quoted market price		Based on valuation techniques	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instrument</u>				
<u>Assets</u>				
Cash and cash equivalents	\$342,984,401	\$11,806,692	\$36,754,086	\$1,265,201
Receivables	-	-	60,115,199	2,069,370
Financial assets at fair value through profit or loss	47,469,016	1,634,045	19,992,833	688,222
Available-for-sale financial assets	392,009,994	13,494,320	818,720,129	28,183,137
Investments under the equity method-Net	-	-	7,144,025	245,922
Investment in debt securities with no active market	63,879,749	2,198,959	783,979,035	26,987,230
Other financial assets	-	-	23,500,000	808,950
<u>Liabilities</u>				
Payables	-	-	37,262,033	1,282,686
Preferred stock liability	-	-	30,464,799	1,048,702
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	-	-	4,725,696	162,675
Forward, CS and CCS	-	-	241,668	8,319
IRS and CDS	-	-	-	-
Derivative financial assets for hedging	-	-	1,142,094	39,315
IRS and CDS	-	-	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	1,972,791	67,910
Forward, CS and CCS	-	-	106,666	3,672
IRS and CDS	-	-	-	-
Financial instruments	December 31, 2011			
	Based on the quoted market price		Based on valuation techniques	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$361,673,820	\$11,948,260	\$12,680,141	\$418,901
Receivables	-	-	45,684,727	1,509,241
Financial assets at fair value through profit or loss	55,273,380	1,826,012	262,850	8,683
Available-for-sale financial assets	416,804,318	13,769,551	858,055,822	28,346,740
Investments under the equity method	-	-	4,016,883	132,702
Investment in debt securities with no active market	29,669,351	980,157	480,701,698	15,880,466
Other financial assets	-	-	13,300,000	439,379
<u>Liabilities</u>				
Payables	-	-	22,003,803	726,918
Preferred stock liability	-	-	30,580,870	1,010,270

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Financial instruments	December 31, 2011			
	Based on the quoted market price		Based on valuation techniques	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Option	\$152,026	\$5,022	\$-	\$-
Forward, CS and CCS	-	-	3,775,175	124,717
IRS and CDS	-	-	257,176	8,496
Derivative financial assets for hedging				
IRS and CDS	-	-	1,957,846	64,679
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Forward, CS and CCS	-	-	17,101,959	564,980
IRS and CDS	-	-	366,942	12,122

d. Information on financial risk

(a) Risk of interest rate

The following table summarizes the maturities of Cathay Life's financial instruments at December 31, 2012 and 2011:

① December 31, 2012

Non-derivative financial instruments of fixed interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$64,901	\$2,234	\$159,439	\$5,489	\$1,352,624	\$46,562	\$9,280,513	\$319,467
Available-for-sale financial assets	30,142,886	1,037,621	39,285,509	1,352,341	48,487,400	1,669,102	29,676,466	1,021,565
Investments in debt securities								
with no active market	6,968,204	239,869	26,124,165	899,283	30,604,557	1,053,513	4,777,077	164,443
Preferred stock liability	-	-	-	-	15,000,000	516,351	10,000,000	344,234
Item	Due in 4~5 years		Over 5 years		Total			
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)		
Financial assets at fair value								
through profit or loss	\$9,914,804	\$341,301	\$2	\$-	\$20,772,283	\$715,053		
Available-for-sale financial assets	70,413,562	2,423,875	470,240,580	16,187,283	688,246,403	23,691,787		
Investments in debt securities								
with no active market	18,305,306	630,131	665,841,740	22,920,542	752,621,049	25,907,781		
Preferred stock liability	-	-	5,000,000	172,117	30,000,000	1,032,702		

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Non-derivative financial instruments of float interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$11,887	\$409	\$9,829	\$339	\$3	\$-	\$2	\$-
Available-for-sale financial assets	123,688,593	4,257,783	341,836	11,767	504,939	17,382	1,708,520	58,813
Investments in debt securities								
with no active market	-	-	1,214,388	41,804	260,095	8,953	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$2	\$-	\$-	\$-	\$21,723	\$748
Available-for-sale financial assets	415,188	14,292	34,935,372	1,202,595	161,594,448	5,562,632
Investments in debt securities						
with no active market	-	-	43,395,298	1,493,814	44,869,781	1,544,571

Derivative financial instruments

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$-	\$-	\$3,728	\$128	\$35,153	\$1,210	\$-	\$-
Derivative financial assets for								
hedging	185,211	6,375	687,562	23,668	39,508	1,360	133,358	4,591
Financial liabilities at fair value								
through profit or loss	-	-	66,836	2,301	29,261	1,007	10,569	364

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$1,830	\$63	\$200,957	\$6,918	\$241,668	\$8,319
Derivative financial assets for						
hedging	73,718	2,538	22,737	783	1,142,094	39,315
Financial liabilities at fair value						
through profit or loss	-	-	-	-	106,666	3,672

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⑥ December 31, 2011

Non-derivative financial instruments of fixed interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$1,569,417	\$51,847	\$514,833	\$17,008	\$206,990	\$6,838	\$1,315,212	\$43,449
Available-for-sale financial assets	36,767,880	1,214,664	39,828,781	1,315,784	42,740,095	1,411,962	48,537,607	1,603,489
Investments in debt securities								
with no active market	14,599,207	482,300	6,059,556	200,184	18,611,039	614,834	10,430,086	344,568
Preferred stock liability	-	-	-	-	-	-	15,000,000	495,540

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$10,419,248	\$344,211	\$2	\$-	\$14,025,702	\$463,353
Available-for-sale financial assets	30,694,791	1,014,034	597,391,686	19,735,437	795,960,840	26,295,370
Investments in debt securities						
with no active market	4,330,933	143,077	432,454,784	14,286,580	486,485,605	16,071,543
Preferred stock liability	10,000,000	330,360	5,000,000	165,180	30,000,000	991,080

Non-derivative financial instruments of float interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$21,287	\$703	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	166,877,753	5,512,975	-	-	-	-	-	-
Investments in debt securities								
with no active market	23,018,659	760,445	-	-	-	-	-	-

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Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$-	\$-	\$-	\$-	\$21,287	\$703
Available-for-sale financial assets	-	-	-	-	166,877,753	5,512,975
Investments in debt securities						
with no active market	-	-	-	-	23,018,659	760,445

Derivative financial instruments

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$-	\$-	\$-	\$-	\$8,216	\$272	\$51,977	\$1,717
Derivative financial assets for								
hedging	20,940	692	479,288	15,833	1,124,375	37,145	59,656	1,971
Financial liabilities at fair value								
through profit or loss	-	-	-	-	172,415	5,696	168,577	5,569

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$-	\$-	\$129,956	\$4,293	\$190,149	\$6,282
Derivative financial assets for						
hedging	165,487	5,467	108,100	3,571	1,957,846	64,679
Financial liabilities at fair value						
through profit or loss	23,594	779	-	-	364,586	12,044

(b) Credit risk

Cathay Life doesn't exposure to credit risk is minimal.

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e. Hedge Accounting Disclosures

Cash flow hedges

(a) December 31, 2012

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$2,000,000	\$68,847	90DCP	Yearly	2013.3.26
2,425,000	83,477	90DCP	Each quarter	2013.4.24
3,600,000	123,924	90DCP	Each quarter	2013.6.8
2,700,000	92,943	90DCP+25bps	Each quarter	2013.8.24
3,000,000	103,270	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	68,847	90DCP	Yearly	2013.11.3
1,000,000	34,423	90DCP+26.5bps	Yearly	2013.12.14
500,000	17,212	90DCP+23bps	Yearly	2013.12.14
1,500,000	51,635	90DCP+23bps	Yearly	2013.12.16
1,000,000	34,423	90DCP+26.5bps	Yearly	2013.12.16
900,000	30,981	90DCP	Yearly	2014.3.12
1,000,000	34,423	90DCP	Yearly	2014.6.12
3,000,000	103,270	90DCP	Each quarter	2014.6.25
1,810,000	62,306	90DCP	Each quarter	2014.6.26
2,000,000	68,847	90DCP	Yearly	2014.6.29
5,000,000	172,117	90DCP	Yearly	2014.8.23
1,000,000	34,423	90DCP	Yearly	2014.9.20
3,200,000	110,155	90DCP	Yearly	2014.9.27
2,000,000	68,847	90DCP	Each quarter	2014.9.28
1,500,000	51,635	90DCP	Yearly	2014.9.29
2,500,000	86,059	90DCP	Yearly	2014.12.20
2,000,000	68,847	90DCP	Yearly	2014.12.24
2,300,000	79,174	90DCP	Each quarter	2015.3.25
1,500,000	51,635	90DCP	Each quarter	2015.5.9
2,543,500	87,556	90DCP	Each quarter	2016.10.23
900,000	30,981	90DCP	Each quarter	2016.10.24
1,200,000	41,308	90DCP	Each quarter	2017.10.25
1,400,000	48,193	90DCP	Each quarter	2017.12.9
600,000	20,654	90DCP	Each quarter	2020.9.23

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(b) December 31, 2011

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$1,000,000	\$33,036	90DCP	Each quarter	2012.6.26
2,000,000	66,072	90DCP	Each quarter	2012.9.9
2,000,000	66,072	90DCP	Each quarter	2012.10.11
700,000	23,125	90DCP	Each quarter	2012.11.24
2,000,000	66,072	90DCP	Yearly	2013.3.26
2,425,000	80,112	90DCP	Each quarter	2013.4.24
3,600,000	118,930	90DCP	Each quarter	2013.6.8
2,700,000	89,197	90DCP+25bps	Each quarter	2013.8.24
2,000,000	66,072	90DCP	Yearly	2013.11.3
3,000,000	99,108	90DCP+26.5bps	Yearly	2013.11.3
500,000	16,518	90DCP+23bps	Yearly	2013.12.14
1,000,000	33,036	90DCP+26.5bps	Yearly	2013.12.14
1,500,000	49,554	90DCP+23bps	Yearly	2013.12.16
1,000,000	33,036	90DCP+26.5bps	Yearly	2013.12.16
900,000	29,732	90DCP	Yearly	2014.3.12
1,000,000	33,036	90DCP	Yearly	2014.6.12
3,000,000	99,108	90DCP	Each quarter	2014.6.25
1,810,000	59,795	90DCP	Each quarter	2014.6.26
2,000,000	66,072	90DCP	Yearly	2014.6.29
5,000,000	165,180	90DCP	Yearly	2014.8.23
1,000,000	33,036	90DCP	Yearly	2014.9.20
3,200,000	105,715	90DCP	Yearly	2014.9.27
2,000,000	66,072	90DCP	Each quarter	2014.9.28
1,500,000	49,554	90DCP	Yearly	2014.9.29
2,500,000	82,590	90DCP	Yearly	2014.12.20
2,000,000	66,072	90DCP	Yearly	2014.12.24
2,300,000	75,983	90DCP	Each quarter	2015.3.25
1,500,000	49,554	90DCP	Each quarter	2015.5.9
2,543,500	84,027	90DCP	Each quarter	2016.10.23
900,000	29,732	90DCP	Each quarter	2016.10.24
1,200,000	39,643	90DCP	Each quarter	2017.10.25
1,400,000	46,250	90DCP	Each quarter	2017.12.9
600,000	19,822	90DCP	Each quarter	2020.9.23

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

Cathay Life's interest rate swap agreements are considered to be highly effective cash flow hedges. As of December 31, 2012 and 2011, unrealized gains on these financial instruments recognized in equity were NT\$1,140,187 (US\$39,249) thousands and NT\$1,961,877 (US\$64,813)thousands, respectively.

f. Financial risk management objectives and policies

Cathay Life's financial assets primarily consist of domestic or foreign common stocks, preferred stocks, government bonds, corporate bonds, repurchase bonds, structured notes, mortgage-backed securities, mutual funds, project investments, short-term notes, cash and cash equivalents.

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

The primary risks involved in financial instruments are market risk, credit risk, operational risk, liquidity risk and sovereign risk. In addition to compliance with the risk management policies and guidance from the Company, Cathay Life has also established risk management systems such as the VaR model, the credit evaluation model, the integrated appraisal and collection, and the concentration management systems to monitor and manage Cathay Life's risks. The risk management policies are summarized as follow:

Market Risk

Market risk is the exposure to uncertain market value of a portfolio, including interest rate risk, price risk and foreign currency risk, etc. Cathay Life conducts analysis and assessments of the investment targets before any investment decisions are made. In addition, VaR model in connection with scenario analysis, stress testing, back testing, Position Limit, VaR Limit and Loss Limit are used to effectively manage the market risk of Cathay Life's financial instruments.

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Credit Risk

Credit risk is the risk of loss arising from the potential default of the counter-party. In order to minimize Cathay Life's exposure to the credit risk, following evaluations and controls are performed.

Cathay Life has taken the credit concentration index of each conglomerate into consideration when establishing Lending Policy to prevent from over-exposure. Strict credit evaluations are carried out by Cathay Life before committing to business lending, mortgage lending, policy loan, and security investments. All business loans are secured by land, property, plant and equipments or financial guarantees.

Assessments on the mortgage repayment ability and personal credits are conducted before the mortgages are granted. The total mortgage amounts granted are based on a different percentage of the carrying value which varies according to regions where the secured buildings locate.

For policy loans, the credit risk level is assessed at low as the policy loan amounts are limited to their net realizable value of the insurance policy and hence are deemed as fully secured investments.

An internal credit risk evaluation model for investments in financial instruments has been created based on external credit assessments and various characteristics of financial instruments. Cathay Life also monitors the credit risk level of the investment targets, issuers or counter-parties by evaluating the credit concentration of the investments or counter-parties.

Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal controls, employee fraud or misconduct and management negligence. To mitigate the operational risk, Cathay Life has adopted and implemented the internal control regulations and procedures. Cathay Life has also commenced the development of information systems to accommodate and support the aforementioned policies.

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Liquidity Risk

Liquidity risk is the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Cathay Life has primarily sought to achieve the flexible cash flow and stable liquidity by utilizing the deposits in financial institutions, short-term notes (includes repurchase agreement) and domestic bond funds. In pursuit of these goals, Cathay Life also conducts analysis of assets allocation, liquid asset ratio and cash flows to ensure the effectiveness and timeliness of managing liquidity risk.

Sovereign Risk

Sovereign risk is the risk of market price fluctuation or default of the issuers due to the political or economical issues in the country where investments are located. Cathay Life categorizes and manages the investment risk based on each country or region, as well as regularly monitors the concentration of foreign countries to minimize its sovereign risk.

D. Cathay United Bank

a. Information of fair value

Item	December 31, 2012			
	(NT\$)		(US\$)	
	Carry amount	Fair value	Carry amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$63,141,013	\$63,141,013	\$2,173,529	\$2,173,529
Available-for-sale financial assets	57,681,737	57,681,737	1,985,602	1,985,602
Held-to-maturity financial assets and investments in				
debt securities with no active market	444,586,533	444,672,669	15,304,184	15,307,149
Other financial assets-financial assets carried at				
cost	3,308,665	(Note)	113,895	(Note)
Others	1,170,991,811	1,170,991,811	40,309,529	40,309,529
<u>Liabilities</u>				
Financial debentures payable	42,518,631	42,518,631	1,463,636	1,463,636
Others	1,633,466,763	1,633,466,763	56,229,493	56,229,493

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Item	December 31, 2012			
	(NT\$)		(US\$)	
	Carry amount	Fair value	Carry amount	Fair value
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	\$553,680	\$553,680	\$19,060	\$19,060
Non-delivery forward	245,801	245,801	8,461	8,461
Currency swap	1,735,384	1,735,384	59,738	59,738
Interest rate swap	2,707,170	2,707,170	93,190	93,190
Cross currency swap	132,380	132,380	4,557	4,557
Options	484,616	484,616	16,682	16,682
Future	61	61	2	2
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Forward	120,980	120,980	4,165	4,165
Non-delivery forward	152,747	152,747	5,258	5,258
Currency swap	2,542,238	2,542,238	87,512	87,512
Interest rate swap	1,403,596	1,403,596	48,317	48,317
Cross currency swap	233,165	233,165	8,026	8,026
Options	515,012	515,012	17,728	17,728
Item	December 31, 2011			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$16,512,154	\$16,512,154	\$545,496	\$545,496
Available-for-sale financial assets	47,322,633	47,322,633	1,563,351	1,563,351
Held-to-maturity financial assets and debt securities				
with no active market	443,316,412	443,396,178	14,645,405	14,648,040
Other financial assets-financial assets carried at cost	3,396,590	(Note)	112,210	(Note)
Others	1,150,989,688	1,150,989,688	38,024,106	38,024,106
<u>Liabilities</u>				
Financial debentures payable	33,115,240	33,115,240	1,093,995	1,093,995
Others	1,570,455,090	1,570,455,090	51,881,569	51,881,569

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Item	December 31, 2011			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	\$2,290,792	\$2,290,792	\$75,679	\$75,679
Non-delivery forward	68,302	68,302	2,256	2,256
Currency swap	522,734	522,734	17,269	17,269
Interest rate swap	3,218,010	3,218,010	106,310	106,310
Cross currency swap	304,684	304,684	10,065	10,065
Options	321,818	321,818	10,632	10,632
<u>Liabilities</u>				
Forward	539,462	539,462	17,822	17,822
Non-delivery forward	73,621	73,621	2,432	2,432
Currency swap	2,053,111	2,053,111	67,826	67,826
Interest rate swap	1,601,849	1,601,849	52,919	52,919
Cross currency swap	305,211	305,211	10,083	10,083
Options	261,898	261,898	8,652	8,652

Note: Fair value cannot be reliably estimated.

- b. The methodologies and assumptions used by Cathay United Bank to estimate the above fair value of financial instruments are summarized as following:
- The carrying value of short-term financial instruments, such as cash and cash equivalents, receivables, securities purchased under agreements to resell, securities sold under agreements to repurchase, payables, refundable deposits, guarantee deposits, borrowed funds, due from the Central Bank and call loans to banks and due to the Central Bank and call loans from banks arising in the ordinary course of business, approximate fair value because of the relatively short period of time between their origination and expected realization.
 - Quoted market prices, if available, are utilized as estimates of the fair values of financial instruments at fair value through profit or loss, available-for-sale financial instruments, held-to-maturity financial assets and debt securities with no active market. If no quoted market prices exist for certain of Cathay United Bank's financial instruments, the fair value of such instruments has been derived based on pricing models. A pricing model incorporates all factors that market participants would consider in setting a price. Cathay United Bank uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics.

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- (c) Discounts and loans, deposits and principals received from the sale of structured products are classified as interest-bearing financial assets. Thus, their face values are equivalent to their fair values.

The face value of delinquent accounts deducted from allowance for doubtful accounts is adopted fair values.

- (d) Fair value of financial debentures payable is based on quoted market price. If quoted market price is not available, pricing models are utilized to assess the fair value of such instruments.
- (e) If there is a quoted market price in an active market, the quoted market price of derivative financial instruments is regarded as fair value. Otherwise, if the market for a derivative financial instrument is not active, Cathay United Bank assesses fair value by using pricing models.
- (f) Cathay United Bank adopts the exchange rate and market interest rate provided by Thomson Reuters' system to evaluate the fair value of forward, currency swap, interest rate swap and cross currency swap. The average price or closing price is used to figure the fair value of each contract.

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

Financial instruments Measured at fair value item		December 31, 2012							
		Total		1 st Level		2 nd Level		3 rd Level	
		(NT)	(US)	(NT)	(US)	(NT)	(US)	(NT)	(US)
<u>Non-derivative financial instruments</u>									
<u>Assets</u>									
Financial assets at fair value through profit or loss:									
Financial assets for trading									
Bonds		\$4,030,538	\$138,745	\$824,388	\$28,378	\$3,206,150	\$110,367	\$-	\$-
Others		59,110,475	2,034,784	-	-	59,110,475	2,034,784	-	-
Available-for-sale financial assets:									
Stocks									
Bonds		7,348,855	252,973	7,348,855	252,973	-	-	-	-
Others		48,562,558	1,671,689	14,259,792	490,871	34,302,766	1,180,818	-	-
Other financial assets:		1,770,324	60,940	1,770,324	60,940	-	-	-	-
Investments in debt securities with no active market		424,043,663	14,597,028	-	-	424,043,663	14,597,028	-	-
<u>Derivative financial instruments</u>									
<u>Assets</u>									
Financial assets at fair value through profit or loss									
Other financial assets:		4,655,954	160,274	-	-	4,655,954	160,274	-	-
Derivatives financial assets for hedging		1,203,138	41,416	-	-	1,203,138	41,416	-	-
<u>Liabilities</u>									
Financial liabilities at fair value through profit or loss		4,967,738	171,006	-	-	4,967,738	171,006	-	-

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	December 31, 2011							
	Total		1 st Level		2 nd Level		3 rd Level	
	NT	US	NT	US	NT	US	NT	US
Financial instruments measured at fair value								
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss								
Financial assets for trading								
Bonds	\$1,646,923	\$54,408	\$1,500,970	\$49,586	\$145,953	\$4,822	\$-	\$-
Others	14,865,231	491,088	-	-	14,865,231	491,088	-	-
Available-for-sale financial assets								
Stocks	6,765,923	223,519	6,765,923	223,519	-	-	-	-
Bonds	39,032,580	1,289,481	8,243,897	272,345	30,788,683	1,017,136	-	-
Others	1,524,130	50,351	1,524,310	50,351	-	-	-	-
Other financial assets								
Investments in debt securities with no active market	425,140,266	14,044,938	-	-	425,140,266	14,044,938	-	-
<u>Derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss	5,287,567	174,680	59,156	1,954	5,228,411	172,726	-	-
Other financial assets:								
Derivatives financial assets for hedging	1,438,773	47,531	-	-	1,438,773	47,531	-	-
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	4,835,152	159,734	-	-	4,835,152	159,734	-	-

- d. Gains or recognized for the changes in fair value of financial asset or liabilities determined by pricing models were NT\$103,341 (US\$3,557) thousands and NT\$3,746 (US\$124) thousands for the years ended December 31, 2012 and 2011, respectively.
- e. The interest income arising from other than financial assets or liabilities at fair value through profit or loss for the years ended December 31, 2012 and 2011 were NT\$31,623,239 (US\$1,088,580) and NT\$27,279,498 (US\$901,206), and expenses were NT\$11,485,900 (US\$395,384) and NT\$9,650,440 (US\$318,812), respectively.
- f. Cathay United Bank recognized an unrealized gains or losses of NT\$1,248,439 (US\$42,976) thousands and NT\$436,354 (US\$14,416) thousands in shareholders' equity for the changes in fair value of available-for-sale financial assets and a realized gains of NT\$924,281 (US\$31,817) thousands and NT\$1,250,174 (US\$41,301) thousands in the income statements, for the years ended December 31, 2012 and 2011, respectively.

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g. Information on financial risk

(a) 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.

① Interest rate risk

If interest rates are rising, the fair values of Cathay United Bank's fixed-rate bond investments such as government bonds and corporate bonds may decline.

② Foreign exchange risk

Cathay United Bank manages foreign exchange risk by matching foreign currency assets and liabilities. Cathay United Bank trades in currencies and derivative instruments, primarily spot and forward exchange contracts and currency swaps, to manage asset and liability positions and hedge against Cathay United Bank's commercial positions. As most of foreign currency assets and liabilities are matched, the foreign exchange risk is insignificant.

③ Equity securities price risk

Cathay United Bank may expose to risk when the price of equity securities, such as stocks, mutual funds and TAIEX Futures and Options, moves in adverse direction.

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

December 31, 2012						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$611,347	\$21,045	\$876,417	\$30,169	\$457,036	\$15,733
Foreign exchange	156,656	5,393	162,280	5,586	146,608	5,047
Equity Securities price	124,933	4,301	165,277	5,689	60,704	2,090

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December 31, 2011						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$358,300	\$11,837	\$590,383	\$19,504	\$258,043	\$8,525
Foreign exchange	133,656	4,415	177,844	5,875	92,593	3,059
Equity Securities price	138,602	4,579	207,076	6,841	100,824	3,331

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

④ Market risk factor sensitivity

Market risk factor sensitivity is one of the tools to manage market risk. Market risk factor sensitivities of a position are defined as the change in the value of a position caused by a unit shift in a given market factor. Market risk factor sensitivities include interest rate, foreign exchange rate and equity factor sensitivities.

		December 31, 2012	
		(NT\$)	(US\$)
Foreign exchange rate factor sensitivity (FX Delta)			
	USD+1%	\$417,124	\$14,359
	HKD+1%	3,042	105
	JPY+1%	(1)	-
	NTD+1%	(464,332)	(15,984)
Interest rate factor sensitivity (PVBP)			
	Yield curves (USD) parallel shift+1bp	(18,376)	(633)
	Yield curves (HKD) parallel shift+1bp	(30)	(1)
	Yield curves (JPY) parallel shift+1bp	(1)	-
	Yield curves (NTD) parallel shift+1bp	(9,144)	(315)
Equity securities price factor sensitivity (Equity Delta)		68,397	2,354

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Foreign exchange rate factor sensitivities (“FX delta”) represent the change of the foreign exchange portfolios caused by the underlying currency exchange rate fluctuation.

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.

Equity securities price factor sensitivities (“Equity delta”) represent the change of the equity securities price portfolio of caused by the 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.

Stress Test			
Market/ Product	Scenarios	December 31, 2012	
		(NT\$)	(US\$)
Stock Market	Major Stock Exchanges +15%	\$1,025,960	\$35,317
	Major Stock Exchanges -15%	(1,025,960)	(35,317)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(2,821,676)	(97,132)
	Major Interest Rate - 100bp	2,496,083	85,924
Foreign Exchange Market	Major Currencies +3%	1,450,437	49,929
	Major Currencies -3%	(1,365,947)	(47,021)
Composite	Major Stock Exchanges -15%	(2,397,199)	(82,520)
	Major Interest Rate + 100bp		
	Major Currencies +3%		

(b) Credit risk

Credit risk represents the risk of loss that Cathay United Bank would incur if counterparty fails to perform Cathay United Bank’s contractual obligations.

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To centralize risk management functions currently handled by different departments, Cathay United Bank's board of directors resolved that a risk management department would be established to manage the credit risk. The objectives of 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 credit committee. The credit committee also monitors current and potential credit exposure to individual counterparty and on an aggregate basis to counterparty and their affiliates. Cathay United Bank performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectability of those portfolios.

Cathay United Bank maintains a strict policy to evaluate customers' credit ratings when providing loan commitments and commercial letters of credit transactions. Certain customers are required to provide appropriate collateral for the related loans, and Cathay United Bank retains the legal right to foreclose on or liquidate the collateral.

Ⓐ Information on concentrations of credit risk:

Financial assets	December 31, 2012			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Financial assets at fair value through profit or loss	\$63,141,013	\$2,173,529	\$63,141,013	\$2,173,529
Available-for-sale financial assets	57,681,737	1,985,602	57,681,737	1,985,602
Held-to-maturity financial assets and investments in debt securities with no active market	444,586,533	15,304,184	444,586,533	15,304,184
Other financial assets – financial assets carried at cost	3,308,665	113,895	3,308,665	113,895
Other assets	1,170,991,811	40,309,529	1,170,991,811	40,309,529
Guarantees on duties and contracts	-	-	12,081,454	415,885
Unused commercial letters of credit	-	-	4,281,218	147,374
Irrevocable loan commitments	-	-	34,415,264	1,184,691
Credit card line commitments	-	-	295,794,164	10,182,243
<u>Derivative financial instruments</u>				
Forward	553,680	19,060	553,680	19,060
Non-delivery forward	245,801	8,461	245,801	8,461
Currency swap	1,735,384	59,738	1,735,384	59,738
Interest rate swap	2,707,170	93,190	2,707,170	93,190
Cross currency swap	132,380	4,557	132,380	4,557
Options	484,616	16,682	484,616	16,682
Future	61	2	61	2

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Financial assets	December 31, 2011			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Financial assets at fair value through profit or loss	\$16,512,154	\$545,496	\$16,512,154	\$545,496
Available-for-sale financial assets	47,322,633	1,563,351	47,322,633	1,563,351
Held-to-maturity financial assets and debt securities with no active market	443,316,412	14,645,405	443,316,412	14,645,405
Other financial assets-financial assets carried at cost	3,396,590	112,210	3,396,590	112,210
Others	1,150,989,688	38,024,106	1,150,989,688	38,024,106
Guarantees on duties and contracts	-	-	13,245,165	437,567
Unused commercial letters of credit	-	-	4,308,561	142,338
Irrevocable loan commitments	-	-	51,897,159	1,714,475
Credit card line commitments	-	-	282,315,962	9,326,593
<u>Derivative financial instruments</u>				
Forward	2,290,792	75,679	2,290,792	75,679
Non-delivery forward	68,302	2,256	68,302	2,256
Currency swap	522,734	17,269	522,734	17,269
Interest rate swap	3,218,010	106,310	3,218,010	106,310
Cross currency swap	304,684	10,065	304,684	10,065
Options	321,818	10,632	321,818	10,632

- ⑥ Cathay United Bank does not believe it has high levels of risk concentration with regard to any single customer or transaction. However, Cathay United Bank is likely to be exposed to regional or industry concentration risk. Cathay United Bank's information of concentration of credit risk is as follows:

	December 31,			
	2012		2011	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Loans, customers' liabilities under acceptances, bills purchased and guarantees account				
Industry type				
Manufacturing	\$119,508,896	\$4,113,938	\$131,145,762	\$4,332,533
Financial institutions and insurance	29,845,385	1,027,380	31,093,366	1,027,201
Leasing and real estate	83,250,987	2,865,782	90,228,529	2,980,790
Individuals	491,308,474	16,912,512	484,128,104	15,993,660
Others	288,275,903	9,923,439	270,447,027	8,934,490
Total	1,012,190,645	34,843,051	1,007,042,788	33,268,674
Valuation allowance	(13,043,222)	(448,992)	(9,316,456)	(307,778)
Maximum credit risk exposed	\$999,147,423	\$34,394,059	\$997,726,332	\$32,960,896

Geographic Region

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share data and unless otherwise stated)**

	December 31,			
	2012		2011	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Domestic	\$876,857,475	\$30,184,422	\$877,208,405	\$28,979,465
South East Asia	55,179,868	1,899,479	43,909,725	1,450,602
North East Asia	694,753	23,916	851,735	28,138
America	22,560,687	776,616	15,206,114	502,349
Others	56,897,862	1,958,618	69,866,809	2,308,120
Total	1,012,190,645	34,843,051	1,007,042,788	33,268,674
Valuation allowance	(13,043,222)	(448,992)	(9,316,456)	(307,778)
Maximum credit risk exposed	\$999,147,423	\$34,394,059	\$997,726,332	\$32,960,896

(c) Liquidity risk

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations.

Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds Cathay United Bank believes that it can generate within that period. As part of the liquidity risk management, Cathay United Bank focuses on a number of components, including tapping available sources of liquidity, preserving necessary funds at reasonable cost and continuous contingency planning.

Cathay United Bank's assets and liabilities management committee is responsible for overall liquidity risk management. Cathay United Bank's liquidity policy focuses on cash flow management, interbank funding capacity and the maintenance of sufficient liquid assets. The treasury department is responsible for daily operation and monitoring. The primary tools for monitoring liquidity include measurement of liquidity risk, analysis of interest rate sensitivity and scenario simulation, and continuous contingency planning. Cathay United Bank manages liquidity risks across all classes of assets and liabilities with the goal that even under adverse conditions.

The liquidity risk rate was 32.57%. Capital and working capital of Cathay United Bank have sufficed to deliver contracts. Cathay United Bank has raised sufficient capital to execute the obligations so that it is without liquidity risk.

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(d) Cash flow risk and fair value risk from interest rate fluctuation

Cathay United Bank's financial debentures payable was matched with the interest rate swap and currency swap contracts which had been transferred from fixed rate to floating rate.

Except for default or redemption in advance, expected reset and maturity dates of interest-bearing financial instruments are confirmed under related contracts. As of December 31, 2012, there is no significant change in these dates.

As of December 31, 2012 and 2011, the effective interest rates of financial instruments held and issued by Cathay United Bank are classified as follows:

Financial instruments	Effective interest rate (%)	
	December 31, 2012	December 31, 2011
Available-for-sale financial assets		
Bonds	0~5.9295	0.53~5.9295
Overseas financial instruments	0~9.3714	0~8.1290
Held-to-maturity financial assets		
Bonds	2.2292~6.8969	2.2292~6.9559
Overseas financial instruments	0~8.2501	0~20.7123
Investments in debt securities with no active market		
Preferred stocks	5	5
Certificates of deposit	0.388~0.93	0.858~1.065
Overseas financial instruments	0~5.15	0~5.15
Financial debentures payable	1.48~5.593	1.65~2.95

h. Fair value hedge

The interest rate swap is used to hedge interest rate fluctuations of financial debentures payable with fixed rate:

Hedged item	Derivative designated as hedging instruments	Hedging instruments			
		Financial assets fair value			
		December 31, 2012		December 31, 2011	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Financial debentures payable	Interest rate swap	\$1,203,138	\$41,416	\$1,438,773	\$47,531

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The hedge is regarded as highly effective, at inception and throughout the life of the hedge, Cathay United Bank can expect changes in the fair value of the hedged item that are attributable to the hedged risk to be almost fully offset by the changes in the fair value of the hedging instrument and actual results are within a range of 80~125 percent.

i. Risk control and hedging strategy

To provide customer-oriented service and fulfill the requirement of government regulation, Cathay United Bank adopted multiple risk management mechanism to identify its risks. Meanwhile, under the regulation and the spirit of “Basel Accord”, Cathay United Bank set its business objectives as maintain steady capital and asset management, and higher capital adequacy ratio.

Cathay United Bank established risk management Committee and its missions are as follow:

- (a) Revise the risk management policies, risk appetite and risk tolerance for Cathay United Bank, and report to Board of Directors.
- (b) Decision making for Cathay United Bank’s credit, market and operational risk management.
- (c) Examine the significant risk management reports for Cathay United Bank (such as credit rating, market evaluation, risk index...) and other items related to the project.
- (d) Any significant item mention by any risk management unit of Cathay United Bank that needs to be investigated.
- (e) Other related items.

Cathay United Bank establish risk management department to supervise, lead, develop and settle the framework of integrated risk management.

The objective for Cathay United Bank’s market risk management is to maintain moderate liquidity and centralize all the market risks in the consideration of economic environment, competition, market value and the effect to net interest income. To achieve the objectives, Cathay United Bank adopted fair value hedge which transfer the fixed income transaction to variable income.

According to the principle of Funds Transfer Pricing, Cathay United Bank develop fair value hedge strategies for debentures with fixed rate. Cathay United Bank use interest rate swap as its main financial instrument.

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E. Cathay Century

a. Information of fair value

Items	December 31, 2012			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Asset</u>				
Cash and cash equivalents	\$5,025,506	\$5,025,506	\$172,995	\$172,995
Receivable	4,073,872	4,073,872	140,237	140,237
Financial assets at fair value through profit or loss	324,881	324,881	11,184	11,184
Available-for-sale financial assets	7,750,552	7,750,552	266,800	266,800
Investments under equity method	679,562	679,562	23,393	23,393
Investments in debt securities with no active market	1,172,459	1,172,459	40,360	40,360
Held-to-maturity financial assets	2,512,011	2,512,011	86,472	86,472
Secured loans	522,080	522,080	17,972	17,972
Guarantee deposits paid	739,997	739,997	25,473	25,473
<u>Liabilities</u>				
Payables	2,095,542	2,095,542	72,136	72,136
Preferred stock liability	1,000,000	1,000,000	34,423	34,423
<u>Derivative financial instruments</u>				
<u>Asset</u>				
Financial liabilities at fair value through profit or loss				
Forward and SWAP	60,579	60,579	2,085	2,085
Derivative financial for hedging				
IRS	17,134	17,134	590	590

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share data and unless otherwise stated)**

Items	December 31, 2011			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Asset</u>				
Cash and cash equivalents	\$6,159,377	\$6,159,377	\$203,481	\$203,481
Receivable	3,519,359	3,519,359	116,266	116,266
Financial assets at fair value through profit or loss	454,960	454,960	15,030	15,030
Available-for-sale financial assets	5,281,500	5,281,500	174,480	174,480
Investments under equity method	1,055,058	1,055,058	34,855	34,855
Investments in debt securities with no active market	1,120,809	1,120,809	37,027	37,027
Held-to-maturity financial assets	2,408,714	2,408,714	79,574	79,574
Secured loans	551,965	551,965	18,235	18,235
Guarantee deposits paid	532,446	532,446	17,590	17,590
<u>Liabilities</u>				
Payable	1,946,257	1,946,257	64,297	64,297
Preferred stock liability	1,000,000	1,000,000	33,036	33,036
<u>Derivative financial instruments</u>				
<u>Asset</u>				
Derivative financial for hedging				
IRS	28,521	28,521	942	942
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Forward and SWAP	45,000	45,000	1,487	1,487

b. The methods and assumptions used to estimate the fair values of the financial instruments are as follows:

- (a) The fair value of Cathay Century's short-term financial instruments is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, receivables, claims recoverable from reinsurers, due from reinsurers and ceding companies, secured loans, claims outstanding, due to reinsurers and ceding companies, operating and liability reserve.

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- (b) The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount.
- (c) Quoted market prices, if available, are utilized as estimating of the fair value of held-to-maturity financial assets. If no quoted market prices exist for Cathay Century's held-to-maturity financial assets, the fair value of financial assets has been derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price. Cathay Century uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.
- (d) The fair value of Cathay Century's current and noncurrent financial asset or liabilities was based on market prices at the reporting date if market prices are not available. When market prices are not available, their fair value was based on relevant financial or any other information.
- (e) If no quoted market prices exist for Cathay Century's investments accounted for equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.
- (f) The Company's fair value of CCS based on the data of quotation from counterparties and from the Bloomberg information system, respectively. The calculation of fair value of CCS is derived contract by contract and the valuation of quotation mentioned previously is based on substance of transactions consistently.

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- c. The fair values of financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Item	December 31, 2012			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$4,945,403	\$170,238	\$80,103	\$2,757
Financial assets at fair value through profit or loss	324,881	11,184	-	-
Available-for-sale financial assets	7,750,552	266,800	-	-
Investments under equity method	-	-	679,562	23,393
Investment in debt securities with no active market	-	-	1,172,459	40,360
Held-to-maturity financial assets	-	-	2,512,011	86,472
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss				
Forward and SWAP	-	-	60,579	2,085
Derivative financial assets for hedging-current				
IRS	-	-	17,134	590

Item	December 31, 2011			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$5,644,226	\$186,463	\$515,151	\$17,018
Financial assets at fair value through profit or loss	454,960	15,030	-	-
Available-for-sale financial assets	5,281,500	174,480	-	-
Investments under equity method	-	-	1,055,058	34,855
Investment in debt securities with no active market	-	-	1,120,809	37,027
Held-to-maturity financial assets	-	-	2,408,714	79,574
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Derivative financial assets for hedging-current				
IRS	-	-	28,521	942
<u>Liabilities</u>				
Financial liabilities at fair value through profit and loss				
Forward and SWAP	-	-	45,000	1,487

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d. Information on financial risk

(a) Risk of interest rate

The following table summarizes the maturities of the Cathay Century's financial instruments at December 31, 2012 and 2011:

① December 31, 2012

Fixed interest rate:

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Available-for-sale financial assets	\$201,807	\$6,947	\$273,561	\$9,417	\$238,440	\$8,208	\$-	\$-
Held-to-maturity financial assets	857,366	29,513	647,903	22,303	-	-	443,496	15,267
Investments in debt securities with no								
active market	-	-	200,000	6,885	-	-	-	-
Preferred stock liability	-	-	-	-	-	-	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Available-for-sale financial assets	\$-	\$-	\$1,869,466	\$64,353	\$2,583,274	\$88,925
Held-to-maturity financial assets	256,487	8,829	306,759	10,560	2,512,011	86,472
Investments in debt securities with no						
active market	300,000	10,327	672,459	23,148	1,172,459	40,360
Preferred stock liability	-	-	1,000,000	34,423	1,000,000	34,423

Floating interest rate:

	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
Item	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Available-for-sale financial assets	\$200,000	\$6,885	\$200,000	\$6,885	\$200,000	\$6,885	\$-	\$-

	Due in 4~5 years		Over 5 years		Total	
Item	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Available-for-sale financial assets	\$-	\$-	\$-	\$-	\$600,000	\$20,655

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② December 31, 2011

Fixed interest rate:

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Available-for-sale financial assets	\$100,142	\$3,308	\$610,378	\$20,164	\$-	\$-	\$213,852	\$7,065
Held-to-maturity financial assets	274,673	9,074	913,602	30,182	272,365	8,998	107,005	3,535
Investments in debt securities with no active market	300,000	9,911	200,000	6,607	-	-	-	-
Preferred stock liabilities	-	-	-	-	-	-	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Available-for-sale financial assets	\$-	\$-	\$939,118	\$31,025	\$1,863,490	\$61,562
Held-to-maturity financial assets	-	-	841,069	27,785	2,408,714	79,574
Investments in debt securities with no active market	-	-	620,809	20,509	1,120,809	37,027
Preferred stock liabilities	-	-	1,000,000	33,036	1,000,000	33,036

Floating interest rate:

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Available-for-sale financial assets	\$200,000	\$6,607	\$-	\$-	\$200,000	\$6,607	\$200,000	\$6,607

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Available-for-sale financial assets	\$-	\$-	\$-	\$-	\$600,000	\$19,821

(b) Credit risk

Cathay Century's exposure to credit risk is minimal.

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e. Hedged of derivative financial instruments related information

The following table summarizes the terms of Cathay Century's interest rate swap for bonds hedging at December 31, 2012:

Cash flow hedges-IRS

December 31, 2012

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$200,000	\$6,885	2.65%	Each quarter	2014.09.30
\$200,000	\$6,885	2.785%	Each quarter	2015.04.30

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

Cathay Century's interest rate swap agreements for cash flow hedges have passed the effectiveness testing. Unrealized gains on financial instruments were recognized in equity by NT\$17,134 (US\$590) thousands and NT\$28,521 (US\$942) thousands as of December 31, 2012 and 2011, respectively.

f. Risk management policies and hedge strategies

Cathay Century's primary financial instruments other than derivatives consist of cash and cash equivalents and investments. The main purpose of holding these financial instruments is to manage cash flow. Cathay Century has other financial assets and liabilities such as notes receivable, premiums receivable, claims outstanding due to and from reinsurers and ceding companies, reinsurance account, receivable and payable and secured loans, etc..

Cathay Century also conducts derivative transactions, primarily including futures, option contracts and forward currency contracts. The purpose is to manage the stock price fluctuation and currency exchange risks arising from Cathay Century's investment activities. Cathay Century does not conduct derivative transactions based on trading purpose.

The primary risks involved in these derivative transactions are market risk, credit risk, operational risk and liquidity risk. The risk management policies approved by the board of directors are as follows:

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(a) Foreign Exchange Risk

As a result of significant overseas designated purpose pecuniary trust funds, Cathay Century's balance sheet can be affected significantly by the fluctuation of the US\$/NT\$ exchange rates. Cathay Century utilizes forward currency contracts to hedge this exposure.

Cathay Century also has transactional currency exposures. Such exposure arises from reinsurance transactions. These transactions with foreign reinsurance company usually receive on time and the fluctuation of exchange rate is not significant. Thus Cathay Century did not seek to hedge this exposure.

To maximum the hedging effect, Cathay Century adopts an equivalent hedging strategy for foreign currency risks.

(b) Credit risk

Cathay Century only conducts business with recognized and creditworthy third parties. Customers are subject to credit verification procedures, and the collection of premium receivable and notes receivable are subsequently assessed. In addition, once the credit of the third party is impaired, Cathay Century will freeze the related contracts until the credit of the third party recovers. Thus Cathay Century has minimal bad debts.

Assessments on the mortgage repayment ability and personal credits are conducted before the mortgages are granted. The total mortgage amounts granted are based on a different percentage of the carrying value which varies according to regions where the secured buildings locate.

The counterparties to Cathay Century's other financial assets (including cash and cash equivalents, all other current and noncurrent investments) are all creditworthy and well-known financial institutions in the world. As a result, counterparty credit risk is relatively low.

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(c) Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal controls, employee fraud or misconduct and management negligence. To mitigate the operational risk, Cathay Century has adopted and implemented the internal control regulations and sheets. Cathay Century is also commenced to develop the information systems to accommodate the aforementioned policies.

(d) Liquidity risk

Cathay Century's exposure to liquidity risk is minimal.

F. Cathay Securities

a. Information of fair value

Item	December 31, 2012			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$788,977	\$788,977	\$27,159	\$27,159
Financial assets at fair value through profit or loss – current				
Securities borrowed	15,569	15,569	536	536
Open-end funds and currency market instruments	343,047	343,047	11,809	11,809
Operating securities – net	5,600,586	5,600,586	192,791	192,791
Receivable amount for margin loans	1,521,977	1,521,977	52,392	52,392
Refinancing margin	17,757	17,757	611	611
Receivables from refinance guaranty	18,997	18,997	654	654
Securities refinancing margin deposits	236,893	236,893	8,155	8,155
Security lending deposits	1,658,897	1,658,897	57,105	57,105
Receivables – net	326,048	326,048	11,224	11,224
Restricted assets – current	1,000,000	1,000,000	34,423	34,423
Available-for-sale financial assets – current	578,712	578,712	19,921	19,921
Investments under equity method	781,240	781,240	26,893	26,893
Available-for-sale financial assets – noncurrent	18	-	1	-
Operating deposits	305,000	305,000	10,499	10,499
Settlement and clearance funds	121,863	121,863	4,195	4,195
Guarantee deposits paid	9,999	9,999	344	344

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share data and unless otherwise stated)**

Item	December 31, 2012			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Liabilities</u>				
Commercial paper payable	\$5,540,000	\$5,540,000	\$190,706	\$190,706
Bonds sold under repurchase agreements	1,400,000	1,400,000	48,193	48,193
Financial liabilities at fair value through profit or loss – current				
Security lending payable-hedging	287,312	287,312	9,890	9,890
Security lending payable-non-hedging	1,216,370	1,216,370	41,872	41,872
Deposit received from securities borrower	171,897	171,897	5,917	5,917
Deposit payable for securities financing	196,956	196,956	6,780	6,780
Deposit received from Securities lender	245,018	245,018	8,434	8,434
Payables	217,289	217,289	7,480	7,480
Guarantee deposits received	106	106	4	4
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Call options – futures	4,561	4,561	157	157
Margin for futures trading – own funds	583,708	583,708	20,093	20,093
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	1,638,117	1,638,117	56,390	56,390
Repurchase of issued call (put) warrants	(1,438,853)	(1,438,853)	(49,530)	(49,530)
Put options-futures	3,977	3,977	137	137

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Item	December 31, 2011			
	Carrying amount	Fair value	Carrying amount	Fair value
	(NT\$)	(NT\$)	(US\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$266,078	\$266,078	\$8,790	\$8,790
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	58,440	58,440	1,931	1,931
Operating securities – net	2,630,361	2,630,361	86,897	86,897
Receivable amount for margin loans	1,362,756	1,362,756	45,020	45,020
Receivables from refinance guaranty	2,078	2,078	69	69
Securities refinancing margin deposits	366,228	366,228	12,099	12,099
Security lending deposits	1,990,015	1,990,015	65,742	65,742
Receivables - net	233,554	233,554	7,716	7,716
Restricted assets – current	587,900	587,900	19,422	19,422
Available-for-sale financial assets – current	581,774	581,774	19,219	19,219
Investments under equity method	773,814	773,814	25,564	25,564
Available-for-sale financial assets – noncurrent	18	-	1	-
Operating deposits	245,000	245,000	8,094	8,094
Settlement and clearance funds	84,720	84,720	2,799	2,799
Guarantee deposits paid	8,673	8,673	287	287
<u>Liabilities</u>				
Commercial paper payable	2,290,000	2,290,000	75,652	75,652
Bonds sold under repurchase agreements	1,000,000	1,000,000	33,036	33,036
Financial liabilities at fair value through profit or loss – current				
Security lending payable-hedging	374,345	374,345	12,367	12,367
Security lending payable-non-hedging	960,011	960,011	31,715	31,715
Securities financing guarantee deposits-in	164,037	164,037	5,419	5,419
Deposit payable for securities financing	179,810	179,810	5,940	5,940
Payables	194,518	194,518	6,426	6,426
Guarantee deposits-in	106	106	4	4
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Call options – futures	603	603	20	20
Margin for futures trading – own funds	498,904	498,904	16,482	16,482
Derivative financial instrument assets				
-GreTai (over-the-counter)	1,402	1,402	46	46
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	1,426,164	1,426,164	47,115	47,115
Repurchase of issued call (put) warrants	(1,226,103)	(1,226,103)	(40,506)	(40,506)
Put options-futures	302	302	10	10

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- b. Methods and assumptions for estimating the fair value of the financial instruments are as follows:
- (a) Short-term financial instruments are stated at their carrying amount on the balance sheet date. Because the maturity date of these instruments is very close to the balance sheet date, it is reasonable that their carrying amounts are equal to their fair values. This assumption is adopted for the following accounts: cash and cash equivalents, receivable amount for margin loans, refinancing margin, securities refinancing margin deposits, receivable from refinance guaranty, security lending deposits, receivables, operating deposits, settlement and clearance funds, guarantee deposits paid, commercial paper payable, bonds sold under repurchase agreement, deposit received from securities borrower deposit payable for securities financing, deposit received from securities lender, payables and guarantee deposits received.
 - (b) Available-for-sale financial assets – current/noncurrent is estimated based on market prices, if available. If available-for-sale financial assets – current/noncurrent of Cathay Securities is not traded on the open market, the carrying amount on the balance sheet date is used to estimate the fair value.
 - (c) If no quoted market prices exist for Cathay Securities investments accounted for under the equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.
 - (d) If there is a quoted market price on the open market, the quoted market price of financial assets and liabilities is regarded as fair value. Otherwise, if the market for a financial instrument is not active, Cathay Securities assesses fair value by using pricing models. A pricing model incorporates all factors that market participants would consider in setting a price.

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The following table summarizes the fair value information of financial assets and liabilities as of December 31, 2012 and 2011:

Item	December 31, 2012			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Securities borrowrd	\$15,569	\$536	\$-	\$-
Open-end funds and currency market instruments	343,047	11,809	-	-
Operating securities - net	5,600,586	192,791	-	-
Available-for-sale financial assets- current	578,712	19,921	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Security lending payable-hedging	287,312	9,890	-	-
Security lending payable-non-hedging	1,216,370	41,872	-	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Call options-futures	4,561	157	-	-
Margin for futures trading – own funds	583,708	20,093	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	1,638,117	56,390	-	-
Repurchase of issued call (put) warrants	(1,438,853)	(49,530)	-	-
Put options-futures	3,977	137	-	-

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Item	December 31, 2011			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Open-end funds and currency market instruments	\$58,440	\$1,931	\$-	\$-
Operating securities - net	2,630,361	86,897	-	-
Available-for-sale financial assets- current	581,774	19,219	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Security lending payable-hedging	374,345	12,367	-	-
Security lending payable-non-hedging	960,011	31,715	-	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Call options-futures	603	20	-	-
Margin for futures trading – own funds	498,904	16,482	-	-
Derivative financial instrument assets-GreTai (over-the-counter)	-	-	1,402	46
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	1,426,164	47,115	-	-
Repurchase of issued call (put) warrants	(1,226,103)	(40,506)	-	-
Put options-futures	302	10	-	-

The above derivative financial instrument assets-GreTai (over-the-counter) is valued using “Binomial Tree”.

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c. Financial risk management objectives and policies

(a) Market risk

Cathay Securities invests in equity securities that have active public market prices. When adverse market conditions exist, Cathay Securities is exposed to market risk as prices fluctuate. Although Cathay Securities controls and quantifies its market risk by establishing stop-loss limits and measuring Value-at-Risk, evaluating its risk utilizing historical prices and controls its overall investment portfolio, it is still exposed to market risk.

(b) Credit risk

In accordance with Cathay Securities' policy, credit evaluations are required for all credit transactions. Credit limits are established based on customers' credit ratings. Margin ratios are also evaluated continuously to control default risk.

The counterparties to Cathay Securities' other financial assets (including cash and cash equivalents and all other current and noncurrent investments) are all creditworthy and well-known financial institutions in the ROC. As a result, counterparty credit risk is relatively low.

(c) Liquidity risk

Cathay Securities believes its working capital is sufficient for its operations and that the risk of contract defaults resulting from a lack of capital is low.

The financial assets held by Cathay Securities all have active markets and can be sold at prices approximating fair values. As the result, Cathay Securities believes there is no significant cash flow risk.

(d) Cash flow risk from interest rate fluctuations

Cathay Securities currently has no exposure to floating interest rates related to financial assets or liabilities and thus Cathay Securities believes there is no significant cash flow risk from interest rate fluctuations.

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d. Financial derivatives

(a) Issuance of call (put) warrants

① Nominal principal or contract amount and credit risk

	December 31, 2012		December 31, 2011	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
Financial instruments				
<u>For trading purposes</u>				
Issuance of call (put) warrants	NT\$1,960,708 (US\$67,494)	NT\$- (US\$-)	NT\$2,334,861 (US\$77,134)	NT\$- (US\$-)

② Market risk

Market risk for call (put) warrants issued arises from changes in prices of the underlying securities. Although market risk can be avoided by adjusting Cathay Securities warrant and hedging positions, market risk still exist.

③ Risk from liquidity, cash flow risk and future cash requirements

When issuing call (put) warrants, the underlying securities and futures of the warrants held are all actively traded and it is expected that Cathay Securities can be sold in the open market at fair prices. As a result, there should not be significant liquidity risk. Risk from cash requirements results from the need to adjust hedge positions in response to changes in the prices of the underlying securities. Assuming favourable market liquidity, risk from cash requirements is relatively low.

The call (put) warrants issued by Cathay Securities typically have contract periods of six to nine months starting from the date when the warrants are listed (OTC). Except for cash required for the related hedging transactions, there are no other cash requirements.

④ Types, purposes, and strategies for financial derivatives

Cathay Securities' hedging positions are not held for trading purposes but instead, are held to minimize the risk of investors exercising warrants. Cathay Securities hedging strategy is focused on avoiding market price risks. The value of the underlying securities for hedging are highly correlated to the fair value of the issued call (put) warrants. Cathay Securities' hedging positions are evaluated and adjusted periodically.

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©Financial statement presentation of derivative financial instruments

As of December 31, 2012 and 2011, disclosure of the issuance of call (put) warrants on the balance sheets and statements of income are summarized as follows:

Balance sheet

	December 31, 2012		December 31, 2011	
	Financial liabilities at fair value through profit or loss-current		Financial liabilities at fair value through profit or loss-current	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Liabilities for issuance of call (put) warrants	\$1,638,117	\$56,389	\$1,426,164	\$47,115
Repurchase of issued call (put) warrants	(1,438,853)	(49,530)	(1,226,103)	(40,506)
Total	\$199,264	\$6,859	\$200,061	\$6,609

Statement of income

	For the year ended December 31, 2012		For the year ended December 31, 2011		
	Profits or losses from issuing call (put) warrants				
	(NT\$)	(US\$)	(NT\$)	(US\$)	Comments
Liabilities for issuance of call (put) warrants	\$(521,667)	\$(17,957)	\$226,028	\$7,467	Fair value method
Repurchase of issued call (put) warrants					
- Loss on disposal	(5,950,682)	(204,843)	(3,910,019)	(129,171)	
- Gain (loss) from valuation	420,551	14,477	(595,179)	(19,662)	Fair value method
Gain from expiration of warrants issued	6,187,901	213,009	4,695,733	155,128	
Trading securities-hedging					
- Gain (loss) on disposal	57,002	1,962	(378,462)	(12,503)	
- Gain (loss) from valuation	21,441	738	(4,882)	(161)	Fair value method
Security lending payable-hedging					
- (Loss) gain on disposal	(9,286)	(320)	87,651	2,896	
- (Loss) gain from valuation	(28,256)	(973)	31,024	1,025	Fair value method
Futures transaction-hedging					
- Loss on disposal	(623)	(21)	(229)	(8)	
- Gain from valuation	-	-	196	6	Fair value method
Total	\$176,381	\$6,072	\$151,861	\$5,017	

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e. Futures and options transactions

As of December 31, 2012 and 2011, Cathay Securities' unexercised futures and options were as follows:

December 31, 2012

Item	Nature of Transaction	Unexercised Futures/options		Contract amount/ payment (receipt) of premium		Fair value	
		Buy/Sell	Units	(NT\$)	(US\$)	(NT\$)	(US\$)
Futures	STW	Sell	117	\$(93,127)	\$(3,206)	\$93,745	\$3,227
Futures	FIxxF	Sell	1,670	\$(95,707)	\$(3,295)	\$93,105	\$3,205
Futures	FIxxF	Buy	1,399	\$170,620	\$5,873	\$170,611	\$5,873
Futures	FITF	Sell	62	\$(51,911)	\$(1,787)	\$52,068	\$1,792
Futures	FITX	Sell	1,303	\$(1,979,132)	\$(68,128)	\$1,999,994	\$68,847
Futures	FITE	Buy	755	\$863,685	\$29,731	\$870,351	\$29,960
Futures	FIMTX	Sell	32	\$(12,150)	\$(418)	\$12,270	\$422
Futures	FIMTX	Buy	2	\$755	\$26	\$765	\$26
Futures	FIXI	Buy	18	\$18,764	\$646	\$18,966	\$653
Options	TXO- Put	Buy	73	\$363	\$13	\$318	\$11
Options	TXO- Call	Buy	334	\$1,806	\$62	\$4,243	\$146
Options	TXO- Put	Sell	1,178	\$(4,387)	\$(151)	\$3,143	\$108
Options	TXO- Call	Sell	198	\$(788)	\$(27)	\$834	\$29

December 31, 2011

Item	Nature of Transaction	Unexercised Futures /options		Contract amount/ payment (receipt) of premium		Fair value	
		Buy/Sell	Units	(NT\$)	(US\$)	(NT\$)	(US\$)
Futures	STW	Sell	41	\$(31,660)	\$(1,046)	\$31,503	\$1,041
Futures	FIMTX	Sell	111	\$(39,254)	\$(1,297)	\$39,066	\$1,291
Futures	FITE	Buy	520	\$540,745	\$17,864	\$539,858	\$17,835
Futures	FITF	Sell	1	\$(749)	\$(25)	\$778	\$26
Futures	FITF	Buy	145	\$112,514	\$3,717	\$113,441	\$3,748
Futures	FITX	Sell	579	\$(818,178)	\$(27,029)	\$815,083	\$26,927
Futures	FIXI	Buy	43	\$42,157	\$1,393	\$42,402	\$1,401
Futures	FIXI	Sell	15	\$(14,907)	\$(492)	\$14,883	\$492
Options	TXO- Call	Buy	132	\$966	\$32	\$603	\$20
Options	TXO- Put	Sell	153	\$(647)	\$(21)	\$302	\$10

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(a) Nominal principal or contract amount and credit risk

Financial instruments	December 31, 2012		
	Nominal principal/ contract amount		Credit risk
STW	NT\$ 93,127	(US\$ 3,206)	NT\$- (US\$-)
FIxxF	NT\$ 266,327	(US\$ 9,168)	NT\$- (US\$-)
FITF	NT\$ 51,911	(US\$ 1,787)	NT\$- (US\$-)
FITX	NT\$ 1,979,132	(US\$ 68,128)	NT\$- (US\$-)
FITE	NT\$ 863,685	(US\$ 29,731)	NT\$- (US\$-)
FIMTX	NT\$ 12,905	(US\$ 444)	NT\$- (US\$-)
FIXI	NT\$ 18,764	(US\$ 646)	NT\$- (US\$-)
TXO	NT\$ 7,344	(US\$ 253)	NT\$- (US\$-)

Financial instruments	December 31, 2011		
	Nominal principal/ contract amount		Credit risk
STW	NT\$ 31,660	(US\$ 1,046)	NT\$- (US\$-)
FIMTX	NT\$ 39,254	(US\$ 1,297)	NT\$- (US\$-)
FITE	NT\$ 540,745	(US\$ 17,864)	NT\$- (US\$-)
FITF	NT\$ 113,263	(US\$ 3,742)	NT\$- (US\$-)
FITX	NT\$ 818,178	(US\$ 27,029)	NT\$- (US\$-)
FIXI	NT\$ 57,064	(US\$ 1,885)	NT\$- (US\$-)
TXO	NT\$ 1,613	(US\$ 53)	NT\$- (US\$-)

Cathay Securities believes it has no significant credit risk exposure since it has entered into futures trading transactions with futures agencies, and the risk of default is low.

(b) Market risk

Cathay Securities' market risk from futures and options transactions arises from the purchase and sell of futures and options and the volatility of assets. Since the fair values of futures and options are available and stop-loss points are established, Cathay Securities believes it can limit its losses to within an expected range. However, market risk still exists.

(c) Risk from liquidity, cash flow, and future cash requirements

Cathay Securities' unexercised futures and options could all be liquidated at reasonable prices in the market. As a result, Cathay Securities believes liquidity risk is low.

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Cathay Securities' trading in futures transactions requires an initial margin and additional margin depending on the daily valuation of open positions. In the event additional margin is required, Cathay Securities has sufficient working capital to meet its requirements, and hence Cathay Securities believes funding risk and cash flow risk are low. With respect to Cathay Securities' trading in options, prior to any transaction Cathay Securities pays or receives option premium. If Cathay Securities sells call options and the counterparty exercises its option, Cathay Securities has sufficient working capital to cover the exercise and hence Cathay Securities believes funding risk and cash flow risk are low.

(d) Types, purposes, and strategies for financial derivatives

Cathay Securities purpose in trading futures and options is to increase the scope of its investment activities and improve its capital efficiency.

(e) Financial statement presentation of derivative financial instruments

The margin and premium resulting from trading are reflected in "financial assets at fair value through profit or loss – current (margin for futures trading – own funds) on the balance sheet. For the year ended December 31, 2012 and 2011, the related gain (loss) of futures and options on the statement of income were as follows:

	For the year ended December 31, 2012		For the year ended December 31, 2011	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Gain from derivative financial instruments - futures				
Non-hedging				
Gain on futures contracts - realized	\$167,622	\$5,770	\$166,174	\$5,490
Gain on futures contracts - unrealized	99,125	3,412	35,340	1,167
Gain from options transactions - realized	13,734	473	32,649	1,079
Gain from options transactions - unrealized	14,507	499	25,185	832
Subtotal	294,988	10,154	259,348	8,568
Hedging				
Gain on futures contracts – realized	2,261	78	1,901	63
Gain on futures contracts – unrealized	1,676	58	2,663	88
Subtotal	3,937	136	4,564	151
Total	\$298,925	\$10,290	\$263,912	\$8,719

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	For the year ended December 31, 2012		For the year ended December 31, 2011	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Loss from derivative financial instruments-futures				
Non-hedging				
Loss on futures contracts - realized	\$69,140	\$2,380	\$37,894	\$1,252
Loss on futures contracts - unrealized	113,243	3,898	26,646	880
Loss from options transactions - realized	15,606	537	8,063	267
Loss from options transactions - unrealized	10,900	376	16,897	558
Subtotal	208,889	7,191	89,500	2,957
Hedging				
Loss on futures contracts - realized	2,884	99	2,130	70
Loss on futures contracts - unrealized	1,676	58	2,467	82
Subtotal	4,560	157	4,597	152
Total	\$213,449	\$7,348	\$94,097	\$3,109

G. Cathay Venture

a. Information of fair value

	December 31, 2012			
	(NT\$)		(US\$)	
Item	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$65,757	\$65,757	\$2,264	\$2,264
Financial assets at fair value through profit or loss	10,300	10,300	355	355
Available-for-sale financial assets-current	571,805	571,805	19,683	19,683
Notes receivable	119	119	4	4
Other receivables (include transactions with related parties)	5,127	5,127	176	176
Investment under equity method	228,616	228,616	7,870	7,870
Available-for-sale financial assets-noncurrent	440,345	440,345	15,158	15,158
Financial assets carried at cost-noncurrent	840,495	-	28,933	-
<u>Liabilities</u>				
Accrued expenses	4,580	4,580	158	158
Other payables	276	276	9	9

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Item	December 31, 2011			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$17,739	\$17,739	\$586	\$586
Financial assets at fair value through profit or loss	25,738	25,738	850	850
Available-for-sale financial assets-current	405,473	405,473	13,395	13,395
Other receivables (include transactions with related parties)	9,000	9,000	297	297
Investment under equity method	232,645	232,645	7,686	7,686
Available-for-sale financial assets-noncurrent	292,901	292,901	9,676	9,676
Financial assets carried at cost-noncurrent	1,151,947	-	38,056	-
Investment in debt securities with no active market-noncurrent	34,000	-	1,123	-
<u>Liabilities</u>				
Accrued expenses	4,215	4,215	139	139
Other payables	276	276	9	9

Note: In reality, the fair value of the specified items can't be accountably measured.

b. The methods and assumptions used to estimate the fair value of the financial instruments are as follows:

(a) The fair value of Cathay Venture short-term financial instruments is assumed to approximate the carrying amount at reporting date due to the short maturity of those instruments. This assumption is applied to cash and cash equivalents, receivables and payables.

(b) Quoted market prices, if available, are used to determine the fair values of available-for-sale financial assets.

(c) If no quoted market prices exist for Cathay Venture's investment under equity method, then their fair value is taken as approximating their carry amounts when no permanent market value decline exists.

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(d) Financial assets carried at cost are unlisted stock. Since these stocks have no quoted market prices in an active market and their fair value cannot be reliably measured, their fair values are not disclosed.

c. The following table summarizes the basis of determining fair value of financial assets and liabilities as of December 31, 2012 and 2011:

Item	December 31, 2012			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$65,757	\$2,264	\$-	\$-
Financial assets at fair value through profit or loss	10,300	355	-	-
Available-for-sale financial assets-current	571,805	19,683	-	-
Notes Receivable	-	-	119	4
Other receivable (include transactions with related parties)	-	-	5,127	176
Investment under equity method	-	-	228,616	7,870
Available-for-sale financial assets-noncurrent	440,345	15,158	-	-
Financial assets carried at cost-noncurrent	-	-	840,495	28,933
<u>Liabilities</u>				
Accrued expense	-	-	4,580	158
Other payables	-	-	276	9

Item	December 31, 2011			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$17,739	\$586	\$-	\$-
Financial assets at fair value through profit or loss	25,738	850	-	-
Available-for-sale financial assets-current	405,473	13,395	-	-
Other receivable (include transactions with related parties)	-	-	9,000	297
Investment under equity method	-	-	232,645	7,686
Available-for-sale financial assets-noncurrent	292,901	9,676	-	-
Financial assets carried at cost-noncurrent	-	-	1,151,947	38,056
Investment in debt securities with no active market	-	-	34,000	1,123
<u>Liabilities</u>				
Accrued expense	-	-	4,215	139
Other payables	-	-	276	9

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d. Information on financial risk

(a) Market risk

Market risk is the exposure to potential loss arising from adverse movements of market price, such as interest rates or foreign exchange rates Cathay Venture assesses the impact of market risk on financial assets and liabilities to be limited.

(b) Credit risk

A credit risk is the risk of loss arising from counterparty or a debtor defaulting on their contractual obligations. The level of exposure depends on several factors including concentrations of credit risk, components of credit risk, the price of contract and other receivable of financial instruments. Cathay Venture believes the maximum credit exposure amount of financial instruments is equal to their carrying values.

(c) Liquidity risk and cash flow risk

Cathay Venture has sufficient working capital for its operation therefore there is no liquidity risk of defaulting on its contractual obligations due to insufficient working capital. In addition, except for the financial assets carried at cost (unquoted equity securities) which may be exposed to significant liquidity risks due to lack of active market, all other stocks Cathay Venture held are able to be disposed rapidly at prices close to fair values.

H. Cathay Securities Investment Trust

a. Information of fair value

Item	December 31, 2012			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,574,633	\$1,574,633	\$54,204	\$54,204
Accounts receivable-related parties	87,689	87,689	3,019	3,019
Available-for-sale financial assets-noncurrent	128,032	128,032	4,407	4,407
Held-to-maturity financial asset - noncurrent	200,000	200,000	6,885	6,885
Operating deposits	50,000	50,000	1,721	1,721
Guarantee deposits paid	154,172	154,172	5,307	5,307
<u>Liabilities</u>				
Accrued payable and other current liabilities	19,154	19,154	659	659
Income tax payable	152,996	152,996	5,267	5,267

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share data and unless otherwise stated)**

Item	December 31, 2011			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,578,727	\$1,578,727	\$52,155	\$52,155
Accounts receivable-related parties	78,712	78,712	2,600	2,600
Available-for-sale financial assets - noncurrent	118,147	118,147	3,903	3,903
Held-to-maturity financial asset - noncurrent	200,000	200,000	6,607	6,607
Operating deposits	50,000	50,000	1,652	1,652
Guarantee deposits paid	137,672	137,672	4,548	4,548
<u>Liabilities</u>				
Income tax payable	29,344	29,344	969	969
Accrued payable and other current liabilities	125,899	125,899	4,159	4,159

b. The methods and assumptions used to estimate the fair value of the financial instruments are as follows:

- (a) The fair value of Cathay Securities Investment Trust financial assets and liabilities approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, accounts receivable-related parties, operating deposit, guarantee deposit paid, income tax payable, accrued payable and other current liabilities.
- (b) When financial assets are quoted on an active market, the fair value is the market price. However, fair value is estimated using pricing model if an active market does not exist. A pricing model incorporates all information that market participants would consider in setting a price which are available to Cathay Securities Investment Trust.
- (c) Quoted market prices, if available, are used to determine the collateral for operating deposit and for guarantee deposit paid. If no quoted market prices exist, then their fair value is taken as approximating their carry amounts when no permanent market value decline exists.

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- c. The fair value of Cathay Securities Investment Trust financial assets determined by quoted market price or pricing models is summarized as following:

Item	December 31, 2012			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets-noncurrent	\$128,032	\$4,407	\$-	\$-
Held-to-maturity financial asset - noncurrent	-	-	200,000	6,885

Item	December 31, 2011			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets-noncurrent	\$118,147	\$3,903	\$-	\$-
Held-to-maturity financial asset - noncurrent	-	-	200,000	6,607

- d. The interest income arising from other than financial assets at fair value through profit or loss for the years ended December 31, 2012 and 2011 were NT\$7,779 (US\$268) thousands and NT\$924 (US\$31) thousands, respectively.

- e. Information on financial risk

(a) Market risk

Cathay Securities Investment Trust invests in equity securities that have measured by fair market price; therefore, Cathay Securities Investment Trust is exposed to certain risk once the market price of equity securities is fluctuated.

Cathay Securities Investment Trust invests in inverse floating rate bond which was measured by allocated cost. Besides, in order to manage the market risk, Cathay Securities Investment Trust only chooses creditworthy banks when invests in held-to- maturity financial asset.

(b) Credit risk

Cathay Securities Investment Trust purchases funds and bonds issued by creditworthy companies as its financial instruments, and control credit risk that might expose to every financial institution. Thus Cathay Securities Investment Trust's exposure in credit risk is minimal.

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(c) Liquidity risk

Cathay Securities Investment Trust believes its working capital is sufficient for its operations and that the risk of contract defaults resulting from a lack of capital is low.

(d) Cash flow risk from interest rate fluctuations

Cathay Securities Investment Trust's bond investment is measured by inverse floating rate. Therefore, when market rate fluctuate, it would be affected the real interest rate for bond investment as well as the future cash flow. When LIBOR is lower than 4.95% and at the resettlement date LIBOR is used 4.95% as base rate, every 10 basis points decrease in the LIBOR will increase NT\$1,000 (US\$34) thousands for Cathay Security Investment Trust every half year. If the requirement remain the same, the cash flow will be increased NT\$2,000 (US\$68) annually.

I. Cathay Futures

a. Information of fair value

Item	December 31, 2012			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$292,581	\$292,581	\$10,072	\$10,072
Customers' margin accounts	2,216,353	2,216,353	76,294	76,294
Accounts receivable-related parties	247	247	9	9
Other receivable (include transactions with related parties)	3,825	3,825	132	132
Available-for-sale financial assets-noncurrent	30,500	30,500	1,050	1,050
Operating deposits	65,000	65,000	2,238	2,238
Settlement and clearance funds	82,000	82,000	2,823	2,823
Guarantee deposits paid	1,669	1,669	57	57
<u>Liabilities</u>				
Futures customers' equity	2,215,903	2,215,903	76,279	76,279
Payables (include transactions with related parties)	4,730	4,730	163	163
Other payable (include transactions with related parties)	8,427	8,427	290	290
Guarantee deposits received	1,439	1,439	50	50

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Item	December 31, 2011			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$305,455	\$305,455	\$10,091	\$10,091
Customers' margin accounts	2,151,391	2,151,391	71,073	71,073
Futures trading deposits receivable	198	198	7	7
Accounts receivable-related parties	114	114	4	4
Other receivable (include transactions with related parties)	2,242	2,242	74	74
Available-for-sale financial assets-noncurrent	30,500	30,500	1,008	1,008
Operating deposits	60,000	60,000	1,982	1,982
Settlement and clearance funds	75,000	75,000	2,478	2,478
Guarantee deposits paid	1,466	1,466	48	48
<u>Liabilities</u>				
Futures customers' equity	2,150,981	2,150,981	71,060	71,060
Payables (include transactions with related parties)	3,848	3,848	127	127
Other payable (include transactions with related parties)	7,612	7,612	251	251
Guarantee deposits in	1,439	1,439	48	48

b. Methods and assumptions applied in estimating the fair value of financial instruments are as follows:

- (a) The carrying amounts of the financial instruments such as cash and cash equivalents, customers' margin accounts, accounts receivable-related parties, other receivables, operating deposits, settlement and clearance funds, guarantee deposits paid, futures customers' equity, payables, guarantee deposit received and other payables, approximate their fair values due to the short maturities of these instruments.
- (b) The fair value of available-for-sale financial assets-noncurrent is valued at market price or other financial information when available.
- (c) The fair value of financial assets and financial liabilities is determined using pricing models.

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c. Information on financial risk

(a) Market risk

The fair values of the shares on listed companies or derivative instruments held by Cathay Futures will fluctuate under the influence of the related stock market factors.

(b) Credit risk

Appropriate credit evaluation processes and continuous monitor of credit-lines are in place for all customers of the brokerage department. In addition, all transactions conducted by proprietary trading department go through Taiwan Futures Exchange and therefore no significant credit risk is expected.

(c) Liquidity risk and cash flow risk

Cathay Futures has sufficient working capital for its operation and there is no liquidity risk of defaulting on its contractual obligations due to insufficient working capital. In addition, except for the financial assets carried at cost which are exposed to significant liquidity risks due to lack of active market, all other stocks Cathay Futures held are able to be disposed rapidly at prices close to fair values.

J. Symphox Information

a. Information of fair value

Item	December 31, 2012			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$528,181	\$528,181	\$18,182	\$18,182
Financial assets at fair value through profit or loss-current	165,124	165,124	5,684	5,684
Available for sale financial Assets-current	972	972	33	33
Receivables (include transactions with related parties)	145,205	145,205	4,998	4,998
Guarantee deposits paid	11,210	11,210	386	386
Other financial assets	10	10	-	-
<u>Liabilities</u>				
Payables (include transactions with related parties)	218,434	218,434	7,519	7,519
Guarantee deposits received	62	62	2	2

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Item	December 31, 2011			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$584,861	\$584,861	\$19,321	\$19,321
Financial assets at fair value through profit or loss-current	157,365	157,365	5,199	5,199
Receivables (include transactions with related parties)	171,616	171,616	5,670	5,670
Guarantee deposits paid	8,117	8,117	268	268
<u>Liabilities</u>				
Payables (include transactions with related parties)	221,487	221,487	7,317	7,317
Guarantee deposits in	62	62	2	2

b. The methods and assumptions used to estimate the fair value of the financial instruments are as follows:

(a) The fair value of Symphox Information short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, receivables and payables.

(b) The fair value of the guarantee deposits paid and guarantee deposits received also approximates the carrying amount.

c. The fair value of Symphox Information financial assets or liabilities determined by quoted market price or pricing models is summarized as following:

Item	December 31, 2012			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current	\$165,124	\$5,684	\$-	\$-
Available-for-sale financial assets-current	-	-	972	33
Other financial assets	-	-	10	-

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

Item	December 31, 2011			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current	\$157,365	\$5,199	\$-	\$-

K. Indovina Bank (Vietnam)

a. Information of fair value

Item	December 31, 2012			
	Carrying amount	Fair value	Carrying amount	Fair value
	(NT\$)	(NT\$)	(US\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$5,644,843	\$5,644,843	\$194,315	\$194,315
Receivables	369,539	369,539	12,721	12,721
Financial assets at fair value through profit or loss-current	140,920	140,920	4,851	4,851
Available-for-sale financial assets	768,191	768,191	26,444	26,444
Held-to-maturity financial assets	1,126,103	1,126,103	38,764	38,764
<u>Liabilities</u>				
Payables	1,397,400	1,397,400	48,103	48,103

Item	December 31, 2011			
	Carrying amount	Fair value	Carrying amount	Fair value
	(NT\$)	(NT\$)	(US\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$13,655,584	\$13,655,584	\$451,126	\$451,126
Receivables	353,155	353,155	11,667	11,667
Financial assets at fair value through profit or loss-current	114,388	114,388	3,779	3,779
Available-for-sale financial assets	516,801	516,801	17,073	17,073
Held-to-maturity financial assets	1,170,705	1,170,705	38,675	38,675
<u>Liabilities</u>				
Payables	726,723	726,723	24,008	24,008
Financial debenture payables	2,908,584	2,908,584	96,088	96,088

English Translation of Financial Statements Originally Issued in Chinese

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

- b. The methods and assumptions used to estimate the fair value of the financial instruments are as follows:
- (a) The fair value of Indovina Bank (Vietnam) short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, receivables and payables.
 - (b) When financial assets or liabilities are quoted on an active market, the fair value is the market price. However, the fair value is estimated using pricing model if an active market does not exist. A pricing model incorporates all information that market participants would consider in setting a price which are available to Indovina Bank (Vietnam). Indovina Bank (Vietnam) uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics.
 - (c) Fair value of financial debentures payable is based on quoted market price. If quoted market price is not available, pricing models are utilized to assets the fair value of such instruments.
- c. The fair value of the Indovina Bank (Vietnam) financial assets and liabilities determined by market price or pricing models are summarized as following:

Item	December 31, 2012			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$5,644,843	\$194,315	\$-	\$-
Financial assets at fair value through profit or loss	140,920	4,851	-	-
Available-for-sale financial assets	-	-	768,191	26,444
Held-to-maturity financial assets	-	-	1,126,103	38,764
Item	December 31, 2011			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$13,655,584	\$451,126	\$-	\$-
Financial assets at fair value through profit or loss	114,388	3,779	-	-
Available-for-sale financial assets	-	-	516,801	17,073
Held-to-maturity financial assets	-	-	1,170,705	38,675
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Financial debenture payables	-	-	2,908,584	96,088

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

L. Cathay Life (China)

a. Information of fair value

Item	December 31, 2012			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$3,708,574	\$3,708,574	\$127,662	\$127,662
Receivables	399,447	399,447	13,750	13,750
Financial assets at fair value through profit or loss	370,475	370,475	12,753	12,753
Available-for-sale financial assets	4,652,993	4,652,993	160,172	160,172
Investment in debt securities with no active market	534,405	534,405	18,396	18,396
Guarantee deposits paid	1,187,211	1,187,211	40,868	40,868
<u>Liabilities</u>				
Payables	714,954	714,954	24,611	24,611
Callable bonds and bonds investment	297,268	297,268	10,233	10,233
Guarantee deposits received	9,741	9,741	335	335
Item	December 31, 2011			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$3,642,369	\$3,642,369	\$120,329	\$120,329
Receivables	404,156	404,156	13,352	13,352
Financial assets at fair value through profit or loss	272,778	272,778	9,011	9,011
Available-for-sale financial assets	5,606,267	5,606,267	185,209	185,209
Investment in debt securities with no active market	529,375	529,375	17,488	17,488
Guarantee deposits paid	1,221,746	1,221,746	40,362	40,362
<u>Liabilities</u>				
Payables	491,420	491,420	16,235	16,235
Callable bonds and bonds investment	201,158	201,158	6,645	6,645
Guarantee deposits in	8,484	8,484	280	280

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

- b. The methods and assumptions used to estimate the fair value of the financial instruments are as follows:
- (a) The fair value of Cathay Life (China) short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, premiums receivables, and payables.
 - (b) The fair value of the guarantee deposits paid and guarantee deposits in approximates their carrying amount.
 - (c) When financial assets or liabilities are quoted on an active market, the fair value is the market price. However, fair value is estimated using pricing model if an active market does not exist. A pricing model incorporates all information that market participants would consider in setting a price which are available to Cathay Life (China). Cathay Life (China) uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.
- c. The fair value of the Cathay life (China) financial assets and liabilities determined by market price or pricing models are summarized as following:

Item	December 31, 2012			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$3,708,574	\$127,662	\$-	\$-
Receivables	-	-	399,447	13,750
Financial assets at fair value through profit or loss	370,475	12,753	-	-
Available-for-sale financial assets	922,092	31,742	3,730,901	128,430
Investment in debt securities with no active market	-	-	534,405	18,396
<u>Liabilities</u>				
Payables	-	-	714,954	24,611
Callable bonds and bonds investment	297,268	10,233	-	-

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share data and unless otherwise stated)**

Item	December 31, 2011			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$3,642,369	\$120,329	\$-	\$-
Receivables	-	-	404,156	13,352
Financial assets at fair value through profit or loss	272,778	9,011	-	-
Available-for-sale financial assets	1,166,409	38,534	4,439,858	146,675
Investment in debt securities with no active market	-	-	529,375	17,488
<u>Liabilities</u>				
Payables	-	-	491,420	16,235
Callable bonds and bonds investment	201,158	6,645	-	-

M. Cathay Life (Vietnam)

a. Information of fair value

Item	December 31, 2012			
	Carrying amount	Fair value	Carrying amount	Fair value
	(NT\$)	(NT\$)	(US\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$615,771	\$615,771	\$21,197	\$21,197
Financial assets at fair value through profit or loss	79,948	79,948	2,752	2,752
Available-for-sale financial assets	932,943	932,943	32,115	32,115
Investment in debt securities with no active market	32,604	32,604	1,122	1,122
<u>Liabilities</u>				
Payables	14,374	14,374	495	495

Item	December 31, 2011			
	Carrying amount	Fair value	Carrying amount	Fair value
	(NT\$)	(NT\$)	(US\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$467,388	\$467,388	\$15,441	\$15,441
Receivables	76,916	76,916	2,541	2,541
Available-for-sale financial assets	947,621	947,621	31,306	31,306
Guarantee deposits paid	41,274	41,274	1,364	1,364
<u>Liabilities</u>				
Payables	27,231	27,231	900	900

English Translation of Financial Statements Originally Issued in Chinese

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

- b. The methods and assumptions used to estimate the fair value of the financial instruments are as follows:
- (a) The fair value of Cathay Life (Vietnam) short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, receivables and payables.
 - (b) When financial assets or liabilities are quoted on an active market, the fair value is the market price. However, the fair value is estimated using pricing model if an active market does not exist. A pricing model incorporates all information that market participants would consider in setting a price which are available to Cathay Life (Vietnam). Cathay Life (Vietnam) uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.
 - (c) The fair value of the guarantee deposits paid approximates their carrying amount.
- c. The fair value of the Cathay Life (Vietnam) financial assets and liabilities determined by market price or pricing models are summarized as following:

Item	December 31, 2012			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$615,771	\$21,197	\$-	\$-
Receivables	-	-	76,948	2,649
Available-for-sale financial assets	932,943	32,115	-	-
<u>Liabilities</u>				
Payables	-	-	14,374	495

Item	December 31, 2011			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$467,388	\$15,441	\$-	\$-
Receivables	-	-	76,916	2,541
Available-for-sale financial assets	947,621	31,306	-	-
<u>Liabilities</u>				
Payables	-	-	27,231	900

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share data and unless otherwise stated)**

N. Cathay Century (China)

a. Information of fair value

Item	December 31, 2012			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$476,055	\$476,055	\$16,387	\$16,387
Financial assets at fair value through profit or loss	51,813	51,813	1,784	1,784
Available-for-sale financial assets	653,940	653,940	22,511	22,511
Premiums receivable	50,126	50,126	1,726	1,726
Due from reinsurers and ceding companies	45,040	45,040	1,550	1,550
Other accounts receivable	45,873	45,873	1,579	1,579
Guarantee deposits paid	391,335	391,335	13,471	13,471
<u>Liabilities</u>				
Due to reinsurers and ceding companies	21,584	21,584	743	743
Operating and liabilities reserve	1,292,161	1,292,161	44,481	44,481

Item	December 31, 2011			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$503,093	\$503,093	\$16,620	\$16,620
Financial assets at fair value through profit or loss	164,496	164,496	5,434	5,434
Available-for-sale financial assets	616,117	616,117	20,354	20,354
Premiums receivable	59,813	59,813	1,976	1,976
Other accounts receivable	21,430	21,430	708	708
Due from reinsurers and ceding companies	41,493	41,493	1,371	1,371
Guarantee deposits paid	399,994	399,994	13,214	13,214
<u>Liabilities</u>				
Due to reinsurers and ceding companies	61,686	61,686	2,038	2,038
Operating and liabilities reserve	611,915	611,915	20,215	20,215

English Translation of Financial Statements Originally Issued in Chinese

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

- b. The methods and assumptions used to estimate the fair value of the financial instruments are as follows:
- (a) The fair value of Cathay Century (China) short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, receivables, due from reinsurers and ceding companies, due to reinsurers and ceding companies, operating and liabilities reserve.
 - (b) Quoted market price, if available, is utilized as estimates of the fair value of held-to-maturity financial assets. If no quoted market prices exist for Cathay Century (China) held-to-maturity financial assets, the fair value of financial assets has been derived based on pricing models. A pricing model incorporates all factors that market participants would consider in setting a price. Cathay Century (China) uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.
 - (c) The fair value of the guarantee deposits paid approximates their carrying amount.
- c. The fair value of the Cathay Century (China) financial assets and liabilities determined by market price or pricing models are summarized as following:

Item	December 31, 2012			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$476,055	\$16,387	\$-	\$-
Financial assets at fair value through profit or loss	51,813	1,784	-	-
Available-for-sale financial assets	653,940	22,511	-	-

Item	December 31, 2011			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$477,587	\$15,777	\$25,506	\$843
Financial assets at fair value through profit or loss	164,496	5,434	-	-
Available-for-sale financial assets	616,117	20,354	-	-

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

O. Cathay Century (Vietnam)

a. Information of fair value

Item	December 31, 2012			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$326,301	\$326,301	\$11,232	\$11,232
Other receivable	46,966	46,966	1,617	1,617
Guarantee deposits paid	8,231	8,231	283	283
<u>Liabilities</u>				
Operating and liabilities reserve	37,360	37,360	1,286	1,286

Item	December 31, 2011			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$335,784	\$335,784	\$11,093	\$11,093
Other receivable	33,510	33,510	1,107	1,107
Guarantee deposits paid	8,506	8,506	281	281
<u>Liabilities</u>				
Operating and liabilities reserve	8,375	8,375	277	277

b. The methods and assumptions used to estimate the fair value of the financial instruments are as follows:

(a) The fair value of Cathay Century (Vietnam) short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, premiums receivables, and operating and liabilities reserve.

(b) The fair value of the guarantee deposits paid approximates their carrying amount.

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

- c. The fair value of the Cathay Century (Vietnam) financial assets and liabilities determined by market price or pricing models are summarized as following:

Item	December 31, 2012			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$326,301	\$11,232	\$-	\$-

Item	December 31, 2011			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$335,784	\$11,093	\$-	\$-

P. Lin Yuan (China)

- a. Information of fair value

Item	December 31, 2012			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$410,172	\$410,172	\$14,120	\$14,120
<u>Liabilities</u>				
Payables	5,377	5,377	185	185

- b. The methods and assumptions used to estimate the fair value of the financial instruments are as follows:

The fair value of Lin Yuan (China) short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, premiums receivables, and operating and liabilities reserve.

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share data and unless otherwise stated)**

- c. The fair value of the Lin Yuan (China) financial assets and liabilities determined by market price or pricing models are summarized as following:

Item	December 31, 2012			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$410,172	\$14,120	\$-	\$-
<u>Liabilities</u>				
Payables	-	-	5,377	185

Lin Yuan was incorporated on August 15, 2012, thus there was no information about last period.

Q. SBC Bank

- a. Information of fair value

Item	December 31, 2012			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$678,535	\$678,535	\$23,357	\$23,357
Receivables	52,289	52,289	1,800	1,800
<u>Liabilities</u>				
Payables	38,488	38,488	1,325	1,325

Item	December 31, 2011			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$467,712	\$467,712	\$15,451	\$15,451
Receivables	11,569	11,569	382	382
<u>Liabilities</u>				
Payables	25,340	25,340	837	837

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

- b. The methods and assumptions used to estimate the fair value of the financial instruments are as follows:

The fair value of SBC Bank short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, premiums receivables, and operating and liabilities reserve.

- c. The fair value of the SBC Bank financial assets and liabilities determined by market price or pricing models are summarized as following:

Item	December 31, 2012			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$678,535	\$23,357	S-	S-

Item	December 31, 2011			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$467,712	\$15,451	S-	S-

- (3) Exchange rates used to translate material financial assets and liabilities denominated in foreign currencies are disclosed as follows:

	December 31, 2012			December 31, 2011		
	Foreign Currency	Exchange Rate	NT\$	Foreign Currency	Exchange Rate	NT\$
<u>Financial Assets</u>						
<u>Monetary Items</u>						
USD	\$45,105,812	29.136	\$1,314,202,938	\$38,440,021	30.29	\$1,164,348,236
RMB	19,422,188	4.680	90,895,840	2,765,935	4.7746	13,206,233
<u>Non-Monetary Items</u>						
USD	3,188,552	29.136	92,901,651	2,407,923	30.29	72,935,988
<u>Financial Liabilities</u>						
<u>Monetary Items</u>						
USD	6,087,435	29.136	177,363,506	5,076,249	30.29	153,759,582

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share data and unless otherwise stated)**

(4) Assessment for loans and allowance for bad debt receivables are showed as followed:

Loans

Item		December 31, 2012			
		Total loans (Note)		Allowance for bad debts	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Objective evidence of impairment exists individually	Individual assessment of impairment	\$57,128,853	\$1,966,570	\$4,887,318	\$168,238
	Collective assessment of impairment	4,574,126	157,457	713,956	24,577
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,473,387,850	50,719,031	10,581,993	364,268

Loans

Item		December 31, 2011			
		Total loans (Note)		Allowance for bad debts	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Objective evidence of impairment exists individually	Individual assessment of impairment	\$37,403,589	\$1,235,665	\$3,211,518	\$106,096
	Collective assessment of impairment	5,526,448	182,572	898,460	29,681
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,459,296,622	48,209,337	6,907,969	228,212

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

Receivables

Item		December 31, 2012			
		Total receivables (Note)		Allowance for bad debts	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Objective evidence of impairment exists individually	Individual assessment of impairment	\$24,591,301	\$846,516	\$39,645	\$1,365
	Collective assessment of impairment	140,445	4,835	110,930	3,819
Objective evidence of impairment does not exist individually	Collective assessment of impairment	93,137,814	3,206,121	1,922,129	66,166

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Receivables

Item		December 31, 2011			
		Total receivables (Note)		Allowance for bad debts	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Objective evidence of impairment exists individually	Individual assessment of impairment	\$42,677,914	\$1,409,908	\$59,883	\$1,978
	Collective assessment of impairment	154,121	5,092	125,533	4,147
Objective evidence of impairment does not exist individually	Collective assessment of impairment	57,257,666	1,891,565	2,740,114	90,523

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

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

A. Loans

	For the year ended December 31, 2012	
	(NT\$)	(US\$)
Balance, beginning of the period	\$11,017,947	\$379,275
Reversal of doubtful accounts	4,596,122	158,214
Write-offs	(1,173,362)	(40,391)
Recoveries	1,662,786	57,239
Effects on exchange rates and other changes	79,774	2,746
Balance, end of the period	<u>\$16,183,267</u>	<u>\$557,083</u>

	For the year ended December 31, 2011	
	(NT\$)	(US\$)
Balance, beginning of the period	\$7,975,009	\$263,462
Reversal of doubtful accounts	1,595,926	52,723
Write-offs	(549,760)	(18,162)
Recoveries	2,269,115	74,963
Effects on exchange rates and other changes	(272,343)	(8,997)
Balance, end of the period	<u>\$11,017,947</u>	<u>\$363,989</u>

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B. Receivables

	For the year ended December 31, 2012	
	(NT\$)	(US\$)
Balance, beginning of the period	\$2,925,530	\$100,707
Reversal of doubtful accounts	(956,067)	(32,911)
Write-offs	(430,052)	(14,804)
Recoveries	710,337	24,452
Effects on exchange rates and other changes	(177,044)	(6,094)
Balance, end of the period	\$2,072,704	\$71,350

	For the year ended December 31, 2011	
	(NT\$)	(US\$)
Balance, beginning of the period	\$2,423,492	\$80,062
Reversal of doubtful accounts	(220,837)	(7,296)
Write-offs	(425,244)	(14,048)
Recoveries	806,083	26,630
Effects on exchange rates and other changes	342,036	11,300
Balance, end of the period	\$2,925,530	\$96,648

(6) Discretionary account management for Cathay Life

	December 31, 2012			
	Carrying value		Fair value	
Item	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$100,690,134	\$3,466,098	\$100,690,134	\$3,466,098
Overseas stocks	28,173,078	969,813	28,173,078	969,813
Repurchase bonds and bond investment notes	6,336,804	218,135	6,336,804	218,135
Cash in banks	38,106,426	1,311,753	38,106,426	1,311,753
Beneficiary certificate	29,184,078	1,004,615	29,184,078	1,004,615
Futures and options	1,482,600	51,036	1,482,600	51,036
Corporate bonds	690,768	23,779	690,768	23,779
Total	\$204,663,888	\$7,045,229	\$204,663,888	\$7,045,229

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Item	December 31, 2011			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$90,957,252	\$3,004,865	\$90,957,252	\$3,004,865
Repurchase bonds and bond investment	1,989,703	65,732	1,989,703	65,732
Cash in banks	25,585,086	845,229	25,585,086	845,229
Beneficiary certificate	748,618	24,731	748,618	24,731
Futures and options	1,859,134	61,418	1,859,134	61,418
Total	\$121,139,793	\$4,001,975	\$121,139,793	\$4,001,975

As of December 31, 2012, Cathay Life entered into discretionary account management contracts in the amounts of NT\$140,000,000 (US\$4,819,277) thousands, US\$2,090,000 thousands, and HK\$2,000,000 thousands. As of December 31, 2011, the amount was NT\$139,500,000 (US\$4,608,523) thousands.

(7) 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, Cathay Life consistently adjusts the hedge ratios and risk exposure position under the risk control.

B. Adjustment in foreign exchange volatility reserve:

	For the year ended December 31, 2012	
	NT\$	US\$
Beginning balance (The first money)	\$4,511,406	\$155,298
Reserve:		
Compulsory reserve	1,672,322	57,567
Extra reserve	944,888	32,526
Subtotal	2,617,210	90,093
Recover	2,857,760	98,374
Total	\$4,270,856	\$147,017

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C. Effects due to foreign exchange volatility reserve for the Company:

Item	Inapplicable amount (1)		Applicable amount (2)		Effects (2) - (1)	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Net gains	\$16,858,380	\$580,323	\$17,058,037	\$587,196	\$199,657	\$6,873
Earnings per share	\$1.58	\$0.05	\$1.60	\$0.06	\$0.02	\$0.01
Foreign exchange volatility reserve	\$-	\$-	\$4,270,856	\$147,017	\$4,270,856	\$147,017
Stockholders' equity	\$248,384,791	\$8,550,251	\$248,584,448	\$8,557,124	\$199,657	\$6,873

(8) Capital adequacy ratio on a consolidated basis:

A. Capital adequacy ratios

As of December 31, 2012

Item	Ownership interest	Eligible capital		Legal capital	
		(NT\$)	(US\$)	(NT\$)	(US\$)
The Company	100.00%	\$263,872,004	\$9,083,374	\$286,648,936	\$9,867,433
Cathay United Bank	100.00%	124,681,317	4,291,956	80,594,040	2,774,321
Cathay Securities	100.00%	3,312,268	114,019	1,561,653	53,757
Cathay Life	100.00%	191,600,492	6,595,542	148,523,334	5,112,679
Cathay Century	100.00%	5,693,618	195,994	3,621,278	124,657
Cathay Venture	100.00%	2,187,120	75,288	1,093,671	37,648
Cathay Securities Investment Trust	100.00%	2,031,836	69,943	1,157,716	39,853
Less: Item		(288,045,911)	(9,915,522)	(283,085,633)	(9,744,772)
Subtotal		(A) \$305,332,744	\$10,510,594	(B) \$240,114,995	\$8,265,576
Consolidated capital adequacy ratios		(C)=(A)/(B)		127.16%	

As of December 31, 2011

Item	Ownership interest	Eligible capital		Legal capital	
		(NT\$)	(US\$)	(NT\$)	(US\$)
The Company	100.00%	\$239,713,774	\$7,919,187	\$256,709,004	\$8,480,641
Cathay United Bank	100.00%	110,304,187	3,644,010	74,908,271	2,474,670
Cathay Securities	100.00%	2,985,352	98,624	819,315	27,067
Cathay Life	100.00%	184,204,532	6,085,382	134,031,086	4,427,852
Cathay Century	100.00%	4,418,382	145,966	2,935,140	96,965
Cathay Venture	100.00%	2,197,781	72,606	1,098,851	36,302
Cathay Securities Investment Trust	100.00%	2,047,819	67,652	1,107,852	36,599
Less: Item		(261,217,171)	(8,629,573)	(254,253,372)	(8,399,516)
Subtotal		(A) \$284,654,656	\$9,403,854	(B) \$217,356,147	\$7,180,580
Consolidated capital adequacy ratios		(C)=(A)/(B)		130.96%	

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B. Eligible capital

As of December 31, 2012

Item	(NT\$)	(US\$)
Common Stock	\$108,653,851	\$3,740,236
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates-qualified as bank-level Tier I Capital	-	-
Preferred Stocks and subordinated financial debenture	20,000,000	688,468
Capital collected in advance	-	-
Capital surplus	78,596,121	2,705,546
Legal reserve	15,222,599	524,014
Special reserve	333,598	11,483
Accumulated profit	20,031,074	689,538
Equity adjustments	29,175,463	1,004,319
Less : Goodwill	-	-
Less : Deferred assets	(960,830)	(33,075)
Less : Treasury stock	(7,179,872)	(247,156)
Consolidated eligible capital	\$263,872,004	\$9,083,373

As of December 31, 2011

Item	(NT\$)	(US\$)
Common Stock	\$103,575,097	\$3,421,708
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates-qualified as bank-level Tier I Capital	-	-
Preferred Stocks and subordinated financial debenture	28,000,000	925,008
Capital collected in advance	-	-
Capital surplus	78,508,148	2,593,596
Legal reserve	14,105,459	465,988
Special reserve	333,598	11,021
Accumulated profit	14,303,983	472,547
Equity adjustments	10,014,522	330,839
Less : Goodwill	-	-
Less : Deferred assets	(1,947,161)	(64,326)
Less : Treasury stock	(7,179,872)	(237,194)
Consolidated eligible capital	\$239,713,774	\$7,919,187

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(9) Business or trading behaviors within Subsidiaries:

A. Business or trading behaviors

Please refer Note 28 (business with stakeholders) for further details.

B. Integrate business activities:

By integrating the insurance, securities, banking and other diversified 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 regulated “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-utilized 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 regulation of “Financial Holding Subsidiaries Cross-selling Activities Acts”, the Company has applied and been approval by Competent Authority. From September 13, 2010, all the business units of Cathay United Bank (163 branches) may engage in cross-selling activities for insurance business and securities business (except for 3 mini-branches). On September 2, 2011, Cathay Life has been approved by competent authorities to engage in cross-selling activities for banking, and property and casualty insurance businesses in all its business and service units (176 places). In the future, the Company and its subsidiaries will continuously applying for the admission to expand the cross-selling businesses.

E. Allocation on revenues, costs, expenses, profits and losses:

Revenue, costs, expenses, profits or losses arising from integrate business activities between the subsidiaries are allocated to each subsidiary based on the related business features.

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(10) Presentation of financial statements:

Certain accounts in the consolidated financial statements for the year ended December 31, 2011 has been reclassified in order to be comparable with those in the consolidated financial statements for the year ended December 31, 2012.

34.Pre-disclosures on the adoption of IFRSs

The Financial Supervisory Commission (“FSC”) requires companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market to prepare their financial statements in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as recognized by the FSC (collectively referred to as “IFRSs”), and the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, starting 2013. According to Rule No. 0990004943 issued by the FSC on February 2, 2010, the Company and its subsidiaries make the following pre-disclosures on the adoption of IFRSs as follows:

(1) The main contents of the plan to adopt IFRSs and the current status:

The Company and its subsidiaries have set up a special project to adopt IFRSs. Chief Financial Officer is responsible for the coordination of this project. The key activities, estimated completion schedule and project progress as of December 31, 2012, were as follows:

Key Activity	Responsible Department	Project Progress
A. Assess stage: 2010/1/1~2011/12/31		
1. Make a plan to adopt IFRSs and establish a project team	Accounting department	Completed
2. Proceed initial internal training	Accounting department and other authorized departments	Completed
3. Identify differences between the existing accounting policies and IFRSs	Accounting department	Completed
4. Identify the adjustment required for existing accounting policies	Accounting department	Completed
5. Select voluntary exemptions under IFRS 1 “First-time Adoption of International Financial Reporting Standards” and assess the impact of these exemptions	Accounting department	Completed
6. Identify the adjustments required for IT system and internal controls	Risk management department、information department and audit department	Completed

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B. Prepare stage:2011/1/1~2012/12/31		
7. Finalize the accounting policies under IFRSs	Accounting department	Completed
8. Finalize the selection of voluntary exemptions under IFRS 1 “First-time Adoption of International Financial Reporting Standards	Accounting department	Completed
9. Finalize adjustments to the internal control (including financial statements process and the associated IT system)	Risk management department 、 information department and audit department	Completed
10. Proceed advanced internal training	Accounting department and other authorized departments	Completed
C. Practice stage:2012/1/1~2013/12/31		
11. Test the operation of information system	Information department	Completed
12. Prepare opening IFRS balance sheet and comparative financial statements	Accounting department	Completed
13. Prepare IFRS financial statements	Accounting department	In progress

- (2) The material differences assessed by the Company between the existing accounting policies under R.O.C SFAS and the accounting policies to be adopted under IFRSs and the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies are described in the table below. The Company and its subsidiaries assess the material differences in accounting policies based on the IFRSs as recognized by the FSC and the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies expected to become effective in 2013. However these assessments may be changed as the FSC may issue new rules governing different versions of IFRSs or amend the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies in the future. Furthermore, the Company and its subsidiaries have decided the accounting policies to be adopted under IFRSs based on the current circumstances, should circumstances change in the future, the accounting policies to be adopted may change accordingly. The material differences in accounting policies described in the table below may not result in any adjustment on the date of transition to IFRSs, due to the voluntary exemptions selected under IFRS 1 “First-time Adoption of International Financial Reporting Standards”.

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Accounting Issues	Description of differences
Business combinations	Under the requirements of ROC GAAP, if the equity stock issued in a business combination is traded in an open market, the market price fluctuations for a reasonable period of time before and after the announcement of the combination agreement should be considered (along with other factors) to determine the acquisition cost. If the quoted market price of the equity stock issued in a business combination mentioned above cannot represent its fair value, the fair value of the net assets acquired (including goodwill) should be calculated (after adjusting for other factors) to determine the acquisition cost. However under the requirements of IFRS 3 “Business Combinations”, the acquisition-date fair value of the equity interests issued in a business combination shall be used to determine the acquisition cost. If the acquisition-date fair value of the acquiree’s equity interests is more reliably measurable than the acquisition-date fair value of the acquirer’s equity interest, then the acquirer shall determine the acquisition cost by using the acquisition-date fair value of the acquiree’s equity interests.
	Under the requirements of ROC GAAP, the purchase cost of the acquiring corporation in a business combination includes all direct costs of an acquisition, except for the costs of issuing securities, indirect costs and general administrative expenses. However under the requirements of IFRS 3, the acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities shall be recognized in accordance with IAS 32 “Financial Instruments: Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement”.
	Under the requirements of ROC GAAP, the minority interests should be measured based on the book value of the acquired corporation. However under the requirements of IFRS 3, the acquirer shall measure 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.
	Under the requirements of ROC GAAP, where the distribution of additional consideration may be contingent on maintaining or achieving specified future earnings level for the acquired corporation and it is reasonably certain that the event is likely to occur and the amount can be reasonably estimated, then such contingent consideration should be included in the acquisition cost. Additional consideration contingent on the market price of a particular stock issued as a result of a business combination will not affect the acquisition costs. However under the requirements of IFRS 3, contingent consideration is recognized at the acquisition-date fair value.

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Accounting Issues	Description of differences
Business combinations	Under the requirements of ROC GAAP, goodwill is separately calculated on each portion of investment acquired, the previously held equity interest in the acquiree is not required to be remeasured. However under the requirements of IFRS 3, in a business combination achieved in stages, the acquirer shall remeasure its previously held equity interests in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss
Fixed assets	For fixed assets acquired prior to the issuance of Accounting Research and Development Foundation Interpretation No 97-340, even if the cost of a component of the asset is significant relative to the total cost of such asset, that component is not depreciated separately. Furthermore, for fixed assets acquired prior to the issuance of Accounting Research and Development Foundation Interpretation No 97-340, the cost of such assets does not include the costs of dismantling and removing the asset and restoring the site on which it is located, and related provision is not recognized. However under the requirements of IAS 16 “Property, Plant and Equipment”, 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 shall be depreciated separately. The cost of an item of property, plant and equipment comprises the costs of dismantling and removing the asset and restoring the site on which it is located.
	The cost of regular major inspections is expensed as incurred under ROC GAAP. However under the requirements of IAS 16, when each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. Any remaining carrying amount of the cost of the previous inspection is derecognized.
	Properties held to be leased out or for long-term capital appreciation are currently classified under fixed assets, as there is no clear guidance under ROC GAAP. However under the requirements of IAS 40 “Investment Property”, properties which meet the definition of investment property should be classified as such.
Lease accounting	The Company and its subsidiaries recognize rental income and expense based on the regulation of leasing contracts. However, under the requirement of IAS No.17 “Leases”, operating leases should be calculated under straight line basis and recognized as revenue or expense during the lease.
Employee benefits	There is no guidance under ROC GAAP for short-term compensated absences. The Company and its subsidiaries recognize the cost as expense as employees take these absences. However under the requirements of IAS 19 “Employee Benefits”, the Company and its subsidiaries shall recognize

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Accounting Issues	Description of differences
Employee benefits	and accrue for the accumulating compensated absences.
	The Company and its subsidiaries have selected a rate of return on relatively high-safety fixed-income investment as the discount rate under ROC GAAP. However under the requirements of IAS 19, the rate used to discount post-employment benefits obligations shall be determined by reference to market yields on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds shall be used.
	Under the requirements of ROC GAAP, minimum pension liability is to be recognized for the excess of the accumulated benefit obligation over the pension plan assets. There is no such requirement under IAS 19.
	Under the requirements of ROC GAAP, the unrecognized transitional net assets (or net benefit obligation) should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. There is no such requirement under IAS 19.
Other employee benefits (employee preferential interest deposits)	According to internal regulation of Cathay United Bank or hiring agreement, the excess interest of employee preferential retiring deposits is adapted to IAS No.19 “Employee Benefit” once the employee is retired.
Customer loyalty Programmes	The Company and its subsidiaries recognize the fair value of all considerations received or receivable as revenue at the time of sale, and estimate the cost and related liabilities resulting from the awards given. However under the requirements of IFRIC 13 “Customer Loyalty Programmes”, the fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the award credits and the other components of the sale; the consideration allocated to the award credits should be deferred and only recognized as revenue when award credit are redeemed and the Company and its subsidiaries fulfill its obligations to supply awards.
Financial assets measured at cost	Under the requirements of the existing Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, equity investments in unlisted entities or entities traded on Emerging Stock market should be measured at cost. However under the requirements of IAS 39, only investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured could be measured at cost. The fair value of investments in equity instruments that do not have a quoted market price in an active market is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that instrument or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

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Accounting Issues	Description of differences
Insurance contracts	Under the requirements of ROC GAAP, catastrophic reserve and stability reserve (special reserve) that Cathay Century reserved prior to Statement of Financial Accounting Standard No.40 are recognized as liabilities. However, according to the regulation of IFRS 4 “Insurance Contracts”, potential claims should not be recognized as liabilities if it results from insurance contracts that do not exist at the balance sheet date (ex. Catastrophic reserve and stability reserve).
Income taxes	Under the requirements of ROC GAAP, deferred tax assets are recognized in full, however, if there is over 50% possibility that the economic benefits of a deferred tax asset become unrealizable, a valuation allowance account should be established to reduce the carrying amount of the deferred tax asset. However under the requirements of IAS 12 “Income Taxes”, a deferred tax asset shall be recognized to the extent that it is probable that it would be utilized.
	Under the requirements of ROC GAAP, the current and noncurrent deferred tax liabilities and assets of the same taxable entity should be offset against each other and presented as a net amount. However under the requirements of IAS 12, an entity shall offset current tax assets and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognized amounts; and an entity shall offset deferred tax assets and current tax liabilities if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.
Liquidating dividends	Under the requirements of ROC GAAP, if equity security does not belong to “financial assets measure at fair value and financial assets at fair value through profit or loss”, the dividends on an equity investment are declared from the pre-acquisition net income, such dividends should be deducted from the cost of the equity investment. However, there is no similar regulation under IAS 18.
Regular way purchases or sales	The bond trading of Cathay United Bank is recognized on the settlement date under regular way purchase and sales. However, under IFRSs, the method is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets. For this purpose, Cathay United Bank changes the regular way purchases and sales of bond trading are recognized on the trade date.

- (3) The preliminary assessment on the monetary impacts of the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs and the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies is as follows :

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① Reconciliation of the balance sheet as at January 1, 2012:

	ROC GAAP		Notes	Adjustments		IFRSs	
	(NT\$)	(US\$)		(NT\$)	(US\$)	(NT\$)	(US\$)
Investment Property-Net	\$146,173,482	\$5,031,790	A	\$64,517,737	\$2,220,920	\$210,691,219	\$7,252,710
Property and Equipment-Net	38,605,554	1,328,934	B	8,824,975	303,786	47,430,529	1,632,720
Financial assets	2,004,797,982	69,011,979	C	2,666,099	91,776	2,007,464,081	69,103,755
Other assets	2,815,825,762	96,930,319	D	(3,127,444)	(107,657)	2,812,698,318	96,822,662
Total assets	5,005,402,780	172,303,022		72,881,367	2,508,825	5,078,284,147	174,811,847
Reserve for liabilities	2,822,627,363	97,164,453	E	57,460,802	1,977,997	2,880,088,165	99,142,450
Other liabilities	1,965,063,844	67,644,195	F	14,368,475	494,611	1,979,432,319	68,138,806
Total liabilities	4,787,691,207	164,808,648		71,829,277	2,472,608	4,859,520,484	167,281,256
Common Stock	103,575,096	3,565,408		-	-	103,575,096	3,565,408
Capital surplus	78,508,148	2,702,518		-	-	78,508,148	2,702,518
Retained Earnings	28,743,040	989,433	G	3,305,709	113,794	32,048,749	1,103,227
Other Stockholders' Equity	2,834,651	97,578	H	(2,253,619)	(77,577)	581,032	20,001
Minority Equity	4,050,638	139,437		-	-	4,050,638	139,437
Stockholders' Equity	217,711,573	7,494,374		1,052,090	36,217	218,763,663	7,530,591

A. The Company and its subsidiaries adopt the requirements of IAS 40 “Investment Property”, properties which meet the definition of investment property should be classified as such. The properties which do not meet such definition would be transferred to property and equipment, so decrease the investment property by NT\$12,422,760 (US\$427,634) thousands. In compliance with IAS 40 “Investment Property”, if the components of investment property are significant, the Company and its subsidiaries should recognize depreciation over useful lives of the property. Total decrease of the investment property amounted to NT\$2,058,259 (US\$70,852) thousands. And according to IFRS 1, the Company and its subsidiaries identified deemed cost of some properties in accordance with the definition of investment property as optional exemptions, which increase the investment property by NT\$78,998,756 (US\$2,719,406) thousands. Total increase of the investment property amounted to NT\$64,517,737 (US\$2,220,920) thousands.

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- B. The Company and its subsidiaries adopt IAS 16 “Property, Plant and Equipment”, significant items of property, plant and equipment shall be recorded and depreciated separately. The reclassification cause the decrease of the property and equipment by NT\$2,131,230 (US\$73,364) thousands. And according to IAS 16 “Property, Plant and Equipment”, properties which meet the definition of property and equipment should be classified as such. The increase of the property and equipment amounted by NT\$10,956,205 (US\$377,150) thousands. Total increase of the property and equipment amounted to NT\$8,824,975 (US\$303,786) thousands.
- C. Financial assets include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, other financial assets and investments in debt securities with no active market. The Company and its subsidiaries reclassified financial assets carried at cost to available-for-sale financial assets and measured at fair value on each balance sheet date. As of January 1, 2012, the reclassification adjustment resulted in the increases of financial assets by NT\$2,666,099 (US\$91,776) thousands.
- D. Apply to assets other than assets described in above section A, B and C. The Company and its subsidiaries reclassified idled assets to investment property which increase the other assets by NT\$2,133,448 (US\$73,441) thousands. In addition, according to IAS 12 “Income taxes”, IAS17 “Leases” and other classification decreases the other assets by NT\$5,260,892 (US\$181,098) thousands. Total decrease of the property and equipment amounted to NT\$3,127,444 (US\$107,657) thousands.
- E. The Company and its subsidiaries adopt the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, IFRS4 “Insurance Contracts” and IAS19 “Employee benefits”, and recognized reserve for liabilities which increase the special reserve for life insurance by NT\$50,905,213 (US\$1,752,331) thousands. The Company and its subsidiaries also adopt IAS19 to measure pension liability, employee preferential interest benefit, unrecognized transitional net benefit obligation and recognize all cumulative actuarial gains and losses according to the IFRS 1. As of January 1, 2012, the IFRSs adjustments resulted in an increase of reserve for liabilities by NT\$2,050,909 (US\$70,599) thousands. Therefore, the Company and its subsidiaries reclassified accrued pension liabilities which reserve for liabilities which increase the reserve for liabilities by NT\$4,504,680 (US\$155,067) thousands. Total increase of the reserve for liabilities amounted to NT\$57,460,802 (US\$1,977,997) thousands.

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- F. This amendment applies to all liabilities except for liability E. According to IFRIC13 “Customer Loyalty Programmes”, increase of the deferred revenue debt amounted by NT\$1,105,371 (US\$38,050) thousands. In addition, according to IAS 12 “Income taxes” and other classification increases the other liabilities by NT\$13,263,104 (US\$456,561) thousands. Total increase of the other liabilities amounted to NT\$14,368,475 (US\$494,611) thousands.
- G. Retained Earnings include legal reserve, special reserve and unappropriated retained earnings. The Company and its subsidiaries have assessed and calculated income tax effects resulted in the relevant amounts and explanations below with adjustment items above. Special reserve, according to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, recognized as special reserve which increase the special reserve by NT\$3,744,467 (US\$128,897) thousands. And according to investment property classification, the unappropriated retained earnings increased by NT\$73,761,791 (US\$2,539,132) thousands. According to the significant component of property and equipment adjusted, the unappropriated retained earnings decreased by NT\$2,131,229 (US\$73,364) thousands. According to Reserve for Liabilities classification, the unappropriated retained earnings decreased by NT\$3,144,562 (US\$108,246) thousands. In addition, the Company and its subsidiaries assessed that unused tax loss carryforward would not probably realize and decreased the deferred tax assets which decreased unappropriated retained earnings by NT\$4,238,597 (US\$145,907) thousands. And other classification decreased the unappropriated retained earnings by NT\$64,686,161 (US\$2,226,718) thousands. The decrease of the unappropriated retained earnings amounted to NT\$438,758 (US\$15,103) thousands. The total increase of the retained earnings amounted to NT\$3,305,709 (US\$113,794) thousands.
- H. Other stockholders’ equity include land revaluation increment, unrealized gains or losses on financial instruments, net loss not yet recognized as net pension cost, treasury stock and other items. According to IAS39, the Company and its subsidiaries reclassified financial assets carried at cost to available-for-sale financial assets and measured at fair value which increased the unrealized gains or losses on financial instruments by NT\$287,916 (US\$9,911) thousands. In compliance with IAS 12, the Company and its subsidiaries evaluate income tax adjustment which recognize under other comprehensive income (loss) or other equity items. Total decrease of unrealized gains or losses on financial instrument amounted to NT\$3,964,056 (US\$134,456) thousands. According to IAS19 “Employee benefits”, the net loss not yet recognized as net pension cost were reversed by NT\$1,423,982 (US\$49,018) thousands. And other classification increased the other items by NT\$1,461(US\$50) thousands. Total decrease of the other stockholders’ equity amounted to NT\$2,253,619 (US\$77,577) thousands.

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② Reconciliation of the balance sheet as at December 31, 2012:

	ROC GAAP		Notes	Adjustments		IFRSs	
	(NT\$)	(US\$)		(NT\$)	(US\$)	(NT\$)	(US\$)
Investment Property-Net	\$163,887,441	\$5,641,564	A	\$49,463,009	\$1,702,685	\$213,350,450	\$7,344,249
Property and Equipment-Net	48,821,416	1,680,600	B	22,657,927	779,963	71,479,343	2,460,563
Financial assets	2,311,675,550	79,575,750	C	19,599,966	674,698	2,331,275,516	80,250,448
Other assets	2,910,918,397	100,203,732	D	(16,422,994)	(565,336)	2,894,495,403	99,638,396
Total assets	5,435,302,804	187,101,646		75,297,908	2,592,010	5,510,600,712	189,693,656
Reserve for liabilities	3,117,676,956	107,321,066	E	55,243,479	1,901,669	3,172,920,435	109,222,735
Other liabilities	2,069,041,400	71,223,456	F	20,345,040	700,345	2,089,386,440	71,923,801
Total liabilities	5,186,718,356	178,544,522		75,588,519	2,602,014	5,262,306,875	181,146,536
Common Stock	108,653,851	3,740,236		-	-	108,653,851	3,740,236
Capital surplus	78,596,121	2,705,546		(87,973)	(3,028)	78,508,148	2,702,518
Retained Earnings	35,587,271	1,225,035	G	3,148,907	108,396	38,736,178	1,333,431
Other Stockholders' Equity	21,995,591	757,163	H	(3,351,545)	(115,372)	18,644,046	641,791
Minority Equity	3,751,614	129,144		-	-	3,751,614	129,144
Stockholders' Equity	248,584,448	8,557,124		(290,611)	(10,004)	248,293,837	8,547,120

A. The Company and its subsidiaries adopt the requirements of IAS 40 “Investment Property”, properties which meet the definition of investment property should be classified as such. The properties which do not meet such definition would be transferred to property and equipment, therefore, decrease the investment property by NT\$28,659,220 (US\$986,548) thousands. In compliance with IAS 40 “Investment Property”, if the components of investment property are significant, the Company and its subsidiaries should recognize depreciation over useful lives of the property. Total decrease of the investment property amounted to NT\$177,139 (US\$6,098) thousands. And according to IFRS 1, the Company and its subsidiaries identified deemed cost of some properties in accordance with the definition of investment property as optional exemptions, which increase the investment property by NT\$78,299,368 (US\$2,695,331) thousands. Total increase of the investment property amounted to NT\$49,463,009 (US\$1,702,685) thousands.

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- B. The Company and its subsidiaries adopt IAS 16 “Property, Plant and Equipment”, significant items of property, plant and equipment shall be recorded depreciated separately. Decrease the property and equipment by NT\$4,367,470 (US\$150,343) thousands. And according to IAS 16 “Property, Plant and Equipment”, properties which meet the definition of property and equipment should be classified as such. Increase the property and equipment by NT\$27,025,397 (US\$930,306) thousands. Total increase of the property and equipment amounted to NT\$22,657,927 (US\$779,963) thousands.
- C. Financial assets include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, other financial assets and investments in debt securities with no active market. The Company and its subsidiaries reclassified financial assets carried at cost to available-for-sale financial assets and measured at fair value on each balance sheet date. As of January 1, 2012, the reclassification adjustment resulted in increases of financial assets by NT\$334,280 (US\$11,507) thousands. The bond trading of the Company and its subsidiaries are recognized on the settlement date under the regular way purchase and sales. However, under IFRSs, the method is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets. For this purpose, the Company and its subsidiaries change the regular way purchases and sales of bond trading are recognized on the trade date. As such, increase the financial assets by NT\$19,265,686 (US\$663,191) thousands. Total increase of the financial assets amounted to NT\$19,599,966 (US\$674,698) thousands.
- D. Apply to assets other than assets describe in above section A, B and C. The Company and its subsidiaries reclassified idled assets to investment property, therefore, decrease the other assets by NT\$1,621,804 (US\$55,828) thousands. And according to IAS 12 “Income taxes”, IAS17 “Leases” and other classification which decrease the other assets by NT\$14,801,190 (US\$509,508) thousands. Total decrease of the property and equipment amounted to NT\$16,422,994 (US\$565,336) thousands.
- E. The Company and its subsidiaries adopt the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, IFRS4 “Insurance Contracts” and IAS19 “Employee benefits”, recognized reserve for liabilities. Increase the special reserve for life insurance by NT\$51,038,736 (US\$1,756,927) thousands. And the Company and its subsidiaries adopt IAS19 to measure pension liability, employee preferential interest benefit, unrecognized transitional net benefit obligation and recognize all cumulative actuarial gains and losses according to the IFRS 1. As of January 1, 2012, the IFRSs adjustments resulted in an increase of reserve for liabilities by NT\$2,009,384 (US\$69,170) thousands. Therefore, the Company and its subsidiaries reclassified accrued pension liabilities to reserve for liabilities which increase the reserve for liabilities by NT\$2,195,359 (US\$75,572) thousands. Total increase of the reserve for liabilities amounted to NT\$55,243,479 (US\$1,901,669) thousands.

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- F. Apply to all liabilities except for liability E. According to IFRIC13 “Customer Loyalty Programmes”, increase the deferred revenue debt by NT\$1,123,325 (US\$38,668) thousands. According to IAS 12 “Income taxes” and other classification which increase the other liabilities by NT\$19,221,715 (US\$661,677) thousands. Total increase of the other liabilities amounted to NT\$20,345,040 (US\$700,345) thousands.
- G. The Company recognized Capital surplus –stock warrants resulted from the issuance of convertible bonds. It was necessary to transfer such capital surplus from equity items amounted to NT\$87,973 (US\$3,028) thousands into financial liabilities at fair value through profit and loss at the date of the adoption of IFRS.
- H. Retained Earnings include Legal reserve, Special reserve and Unappropriated retained earnings. The Company and its subsidiaries have assessed and calculated income tax effects resulted in the relevant amounts and explanations below with adjustment items above. Special reserve, according to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, recognized special reserve. Increase the special reserve by NT\$3,744,467 (US\$128,897) thousands. And according to investment property classification, increase the unappropriated retained earnings by NT\$73,761,791 (US\$2,539,132) thousands. According to the significant component of property and equipment classification which decrease the unappropriated retained earnings by NT\$2,131,229 (US\$73,364) thousands. According to reserve for liabilities classification which decrease the unappropriated retained earnings by NT\$3,649,125 (US\$125,615) thousands. In addition, the Company and its subsidiaries assessed that unused tax loss carryforward would not probably realize and decreased in recognition of deferred tax assets and the amount of unappropriated retained earnings by NT\$4,238,597 (US\$145,907) thousands. And other classification decrease the unappropriated retained earnings by NT\$64,023,075 (US\$2,203,892) thousands. In addition, consolidated net income increase by NT\$315,325 (US\$10,855) thousands. The unappropriated retained was decreased earnings total NT\$595,560 (US\$20,501) thousands. Total increase of the retained earnings amounted to NT\$3,148,907 (US\$108,396) thousands.
- I. Other stockholders’ equity include land revaluation increment, unrealized gains or losses on financial instruments, net loss not yet recognized as net pension cost, treasury stock and other items. According to IAS39, the Company and its subsidiaries reclassified financial assets carried at cost to available-for-sale financial assets and measured at fair value. Increase the unrealized gains or losses on financial instruments by NT\$855,473 (US\$29,448) thousands. In compliance with IAS 12, the Company and its subsidiaries evaluate income tax adjustment which recognize under other comprehensive income (loss) or other equity items. Total decrease of unrealized gains or losses on financial instrument amounted to NT\$5,297,904 (US\$182,372) thousands. According to IAS19 “Employee benefits”, reverse the net loss not yet recognized as net pension cost by NT\$1,093,582 (US\$37,645) thousands. And other classification decrease the other items by NT\$2,696 (US\$93) thousands. Total decrease of the other stockholders’ equity amounted to NT\$3,351,545 (US\$115,372) thousands.

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③ Reconciliation of the income statement for the year period ended December 31, 2012:

	ROC GAAP		Notes	Adjustments		IFRSs	
	(NT\$)	(US\$)		(NT\$)	(US\$)	(NT\$)	(US\$)
Net Income	\$378,762,408	13,038,293	A	\$(102,430)	\$(3,526)	\$378,659,978	\$13,034,767
Bad Debt Expenses	(3,172,002)	(109,191)		-	-	(3,172,002)	(109,191)
Provision for Premiums Reserve	(307,361,510)	(10,580,431)		-	-	(307,361,510)	(10,580,431)
Operating Expenses	(51,208,522)	(1,762,772)	B	(515,735)	(17,753)	(51,724,257)	(1,780,525)
Net Income before Income Tax	17,020,374	585,899		(618,165)	(21,279)	16,402,209	564,620
Income Tax Benefit	37,663	1,297	C	302,840	10,424	340,503	11,721
Consolidated Net Income	17,058,037	587,196		(315,325)	(10,855)	16,742,712	576,341
Include:							
	ROC GAAP		Notes	Adjustments		IFRSs	
	(NT\$)	(US\$)		(NT\$)	(US\$)	(NT\$)	(US\$)
Parent company	17,001,741	585,258		(315,325)	(10,855)	16,686,416	574,403
Minority interest	56,296	1,938		-	-	56,296	1,938
Consolidated Net Income	17,058,037	587,196		(315,325)	(10,855)	16,742,712	576,341

A. The Company and its subsidiaries adopt IFRIC 13 “Customer Loyalty Programmes”, which decrease the handling fee income by NT\$17,954 (US\$618) thousands and interest expense by NT\$274,779 (US\$9,459) thousands, respectively. According to IFRS No.4, The Company and its subsidiaries did not recognize contingent liabilities for potential claims resulting from insurance contracts which did not exist at Dec 31, 2012, as result, under such amendment, the recovered special reserve decreased by NT\$133,523 (US\$4,596) thousands affecting the net change of provision of special reserve. The Company and its subsidiaries reclassified it financial asset carried at cost to available for sale financial assets and measure at fair value at the date of transition to IFRS. The bond trading is recognized on the settlement date under the Company and its subsidiaries’ regular way purchase and sales. However, under IFRSs, the method is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets. For this purpose, the Company and its subsidiaries change the regular way purchases and sales of bond trading are recognized on the trade date and result gain on valuation of financial assets of NT\$279,676 (US\$9,628) thousands. In addition, the Company adopt IAS 17 “Leases”, resulting in decreases of rental income by NT\$88,688 (US\$3,053) thousands and increase of other adjustment by NT\$142,632 (US\$4,910) thousands under straight line basis. Therefore, the adjustment decreased the net income by NT\$102,430 (US\$3,526) thousands.

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- B. The Company and its subsidiaries adopt IAS 19 “Employee Benefits”, result in an increase of the administrative expense by NT\$208,361 (US\$7,172). In addition, the Company and its subsidiaries adopt IAS 16 “Property, Plant and Equipment”, which increase the depreciation expense of NT\$2,236,240 (US\$76,979). The Company and its subsidiaries adopts IAS 40 “Investment Property” and according to IFRS 1, the Company and its subsidiaries identified fair value at the transition date as optional exemptions in accordance with the definition of investment property as optional exemptions. The IFRSs adjustment results in decrease of depreciation expense by NT\$1,881,120 (US\$64,754) thousands and decrease of other items by NT\$47,746 (US\$1,644) thousands. In addition, result in an increase of operating expense by NT\$515,735 (US\$17,753) thousands.
- C. According to the IAS 12, the Company and its subsidiaries assessed income tax effects resulted from adjustment items above, the adjustment increase income tax expense by NT\$31,324 (US\$1,078) thousands. In addition, the Company and its subsidiaries assessed that unused tax loss carryforward would not probably realize and resulted in decreases of income tax expense by NT\$261,192 (US\$8,991) thousands and other adjustment by NT\$72,972 (US\$2,511) thousands. Total decrease of the income tax expense amounted to NT\$302,840 (US\$10,424) thousands.
- (3) According to the requirements under IFRS 1, “First-time Adoption of International Financial Reporting Standards”, the Company prepares its first IFRS financial statements based on the effective IFRS standards and makes adjustments retrospectively, except for the optional exemptions and mandatory exemptions under IFRS 1. The optional exemptions selected by the Bank are as follows:
- ① The Company and its subsidiaries have recognized all cumulative actuarial gains and losses directly to retained earnings as at January 1, 2012.
 - ② The Company and its subsidiaries have elected to disclose amounts required by paragraph 120A (p) of IAS19 prospectively from January 1, 2012.
 - ③ The Company and its subsidiaries have elected to use the fair value at the date of transition to be the deemed costs for certain investment properties as at that date.
 - ④ The Company and its subsidiaries have elected to regard the revalued amount under previous GAAP as the deemed costs for certain items of land or buildings as at the date of revaluation.
 - ⑤ The Company and its subsidiaries designate financial instruments which were recognized as financial assets carried at cost previously as available-for-sale financial assets at the date of transition.

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⑥ The Company IFRS 3 “Business Combinations” has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before January 1, 2012. Applying this exemption would result in the carrying amount of assets acquired and liabilities assumed in the business combination in accordance with previous GAAP to be their deemed costs in accordance with IFRSs as at the date of acquisition. Subsequent to the date of acquisition, the assets and liabilities would be measured in accordance with IFRSs. The carrying amount of goodwill in the opening IFRS Balance Sheet is its carrying amount in accordance with previous GAAP at January 1, 2012, after testing for impairments and adjusting for recognition or de-recognition of intangibles under IFRS 1.

(4) Special reserve at the date of transition to IFRSs

In accordance with the order VI-1010012865 issued by FSC on April 6, 2012, at the first-time adoption of IFRSs, an entity shall appropriate a corresponding amount to special reserve same as the IFRS adjustment, in which case an entity elects to use exemption application specified in IFRS 1 and resets unrealized revaluation increment and cumulative translation differences under stockholders’ equity to zero, and its retained earnings is being increased accordingly. However, if the retained earnings arising from IFRS adjustments at the first-time adoption are insufficient, special reserve shall be appropriated by the amount that retained earnings increase from the IFRS adjustment. While subsequent usage, disposal or reclassification of the related assets, special reserve shall be reversed in proportion. The Company and its subsidiaries’ total IFRS adjustments, at the first-time adoption of IFRSs, resulted in a decrease of retain earnings by NT\$595,560 (US\$20,501) thousands. Therefore, no special reserve was appropriated.

35. Information regarding investment in Mainland China

- (1) On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Life to remit US\$22,850 thousands and US\$27,150 thousands, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US\$50,000 thousands to US\$48,330 thousands approved by MOEAIC on December 20, 2010. Also, MOEAIC authorized Cathay Life to remit US \$59,000 thousands as the registered capital again on May 16, 2008. The total registered capital is US \$107,330 thousands. On September 25, 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 December 29, 2004. Cathay Life has remitted US\$48,330 thousands to Cathay Life Insurance Ltd. (China) till December 31, 2009, and injected other US\$29,880 thousands on September 29, 2010. As of December 31, 2012, Cathay Life’s remittances to Cathay Life Insurance Ltd. (China) totaled approximately US\$78,210 thousands.

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- (2) On October 17, 2007, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Life to remit US\$26,390 thousands as the registered capital to establish a China-based general insurance subsidiary (in form of joint venture with Cathay Century Insurance). On March 6, 2008, MOEAIC authorized Cathay Life to increase the remittances from US\$26,390 thousands to US\$28,960 thousands. 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 August 26, 2008. As of December 31, 2012, Cathay Life's remittances to this general insurance company totaled approximately US\$28,140 thousands.
- (3) On November 1, 2011 and April 11, 2012, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Cathay Life to remit US\$47,000 thousands and US\$80,000 thousands, respectively, as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd.. Cathay Life's subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. has acquired a business license of an enterprise as legal person on August 15, 2012. As of December 31, 2012, Cathay Life's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately US\$126,060 thousands.
- (4) On December 31, 2006, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Century to remit US\$28,960 thousands as the registered capital to establish a China-based general insurance subsidiary (in form of joint venture with Cathay Life.) Cathay Century has received approved from the China Insurance Regulatory Commission on October 8, 2007 to form a joint venture general insurance company. Cathay Century and Cathay Life Insurance subsidiary, Cathay Insurance Company Ltd. (China) has acquired a business license of an enterprise as legal person on August 26, 2008. As of December 31, 2012, Cathay Century's remittances to this company totaled approximately US\$27,820 thousands.

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36. Segment information

For the year ended December 31, 2012

Items	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other division (NT\$)	Reconciliation (NT\$)	Total (NT\$)
Interest income	\$34,270,753	\$92,370,914	\$386,894	\$112,033	\$1,031,485	\$(1,576,582)	\$126,595,497
Less: Interest expenses	(13,041,447)	(80,721)	-	(12,262)	(1,218,560)	573,734	(13,779,256)
Net interest income	21,229,306	92,290,193	386,894	99,771	(187,075)	(1,002,848)	112,816,241
External customer	21,689,946	91,829,806	351,406	92,731	(1,147,648)	-	112,816,241
Inter-segment	(460,640)	460,387	35,488	7,040	960,573	(1,002,848)	-
Net income other than interest	13,349,720	249,037,108	5,512,521	947,170	19,571,864	(22,472,216)	265,946,167
Gains on investments under equity method	247,166	(524,342)	(356,043)	30,629	17,605,654	(17,052,653)	(49,589)
External customer	(1,753,853)	243,337,557	5,256,776	760,665	18,345,022	-	265,946,167
Inter-segment	15,103,573	5,699,551	255,745	186,505	1,226,842	(22,472,216)	-
Total income	34,579,026	341,327,301	5,899,415	1,046,941	19,384,789	(23,475,064)	378,762,408
Bad debt expenses	(2,133,253)	(1,047,074)	-	-	-	8,325	(3,172,002)
Provision for premiums reserve	-	(306,102,409)	(1,259,101)	-	-	-	(307,361,510)
Operating expenses	(17,368,081)	(32,951,323)	(4,432,882)	(895,902)	(1,968,194)	6,407,860	(51,208,522)
Depreciation and amortizations expenses	(1,175,572)	(2,668,437)	(107,391)	(24,954)	(85,951)	17,675	(4,044,630)
Income (loss) from continuing operations before income taxes	15,077,692	1,226,495	207,432	151,039	17,416,595	(17,058,879)	17,020,374
Income taxes (expense) benefit	(1,603,533)	1,760,378	(195,458)	11,905	64,371	-	37,663
Consolidated net income	13,474,159	2,986,873	11,974	162,944	17,480,966	(17,058,879)	17,058,037
Operating assets	1,821,211,396	3,648,320,901	29,793,148	14,142,827	310,623,182	(388,788,650)	5,435,302,804
Investments under equity method	5,038,973	7,144,025	679,562	781,240	252,314,249	(264,811,723)	1,146,326
Operating liabilities	1,712,114,459	3,510,093,230	24,230,617	9,513,944	56,535,200	(125,769,094)	5,186,718,356

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For the year ended December 31, 2012

Items	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Other division (US\$)	Reconciliation (US\$)	Total (US\$)
Net interest income	\$1,179,716	\$3,179,722	\$13,318	\$3,856	\$35,507	\$(54,271)	\$4,357,848
Less: Interest expenses	(448,931)	(2,779)	-	(422)	(41,947)	19,750	(474,329)
Net interest income	730,785	3,176,943	13,318	3,434	(6,440)	(34,521)	3,883,519
External customer	746,642	3,161,095	12,096	3,192	(39,506)	-	3,883,519
Inter-segment	(15,857)	15,848	1,222	242	33,066	(34,521)	-
Net income other than interest	459,543	8,572,706	189,760	32,605	673,730	(773,570)	9,154,774
Gains on investments under equity method	8,508	(18,050)	(12,256)	1,054	606,047	(587,010)	(1,707)
External customer	(60,373)	8,376,508	180,956	26,185	631,498	-	9,154,774
Inter-segment	519,916	196,198	8,804	6,420	42,232	(773,570)	-
Total income	1,190,328	11,749,649	203,078	36,039	667,290	(808,091)	13,038,293
Bad debt expenses	(73,434)	(36,044)	-	-	-	287	(109,191)
Provision for premiums reserve	-	(10,537,088)	(43,343)	-	-	-	(10,580,431)
Operating expenses	(597,868)	(1,134,297)	(152,595)	(30,840)	(67,752)	220,580	(1,762,772)
Depreciation and amortizations expenses	(40,467)	(91,856)	(3,697)	(859)	(2,959)	608	(139,230)
Income from continuing operations before income taxes	519,026	42,220	7,140	5,199	599,538	(587,224)	585,899
Income (loss) taxes (expense) benefit	(55,199)	60,598	(6,728)	410	2,216	-	1,297
Consolidated net income	463,827	102,818	412	5,609	601,754	(587,224)	587,196
Operating assets	62,692,303	125,587,639	1,025,582	486,844	10,692,708	(13,383,430)	187,101,646
Investments under equity method	173,458	245,922	23,393	26,893	8,685,516	(9,115,722)	39,460
Operating liabilities	58,936,815	120,829,371	834,101	327,502	1,946,134	(4,329,401)	178,544,522

For the year ended December 31, 2011

Items	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other division (NT\$)	Reconciliation (NT\$)	Total (NT\$)
Interest income	\$30,490,388	\$86,920,714	\$358,251	\$141,184	\$957,704	\$(1,213,371)	\$117,654,870
Less: Interest expenses	(11,771,465)	(39,597)	-	(6,089)	(1,167,635)	385,376	(12,599,410)
Net interest income	18,718,923	86,881,117	358,251	135,095	(209,931)	(827,995)	105,055,460
External customer	19,088,657	86,584,599	308,802	135,095	(1,061,693)	-	105,055,460
Inter-segment	(369,734)	296,518	49,449	-	851,762	(827,995)	-
Net income other than interest	11,761,683	135,832,276	4,887,257	479,681	13,647,007	(16,876,645)	149,731,259
Gains on investments under equity method	339,253	(269,041)	(113,996)	33,146	11,625,365	(11,508,089)	106,638
External customer	3,204,691	129,395,740	4,253,205	524,735	12,352,888	-	149,731,259
Inter-segment	8,556,992	6,436,536	634,052	(45,054)	1,294,119	(16,876,645)	-
Total income	30,480,606	222,713,393	5,245,508	614,776	13,437,076	(17,704,640)	254,786,719
Bad debt expenses	(622,837)	(428,252)	(11,524)	-	-	-	(1,062,613)
Provision for premiums reserve	-	(195,368,247)	(848,974)	-	-	-	(196,217,221)
Operating expenses	(16,396,994)	(30,587,949)	(3,875,443)	(676,597)	(1,687,196)	5,335,234	(47,888,945)
Depreciation and amortizations expenses	(1,248,953)	(2,686,895)	(95,327)	(19,502)	(64,304)	-	(4,114,981)
Income from continuing operations before income taxes	13,460,775	(3,671,055)	509,567	(61,821)	11,749,880	(12,369,406)	9,617,940
Income taxes (expense) benefit	(1,743,672)	3,565,417	(132,624)	(11,439)	(11,092)	-	1,666,590
Consolidated net income	11,717,103	(105,638)	376,943	(73,260)	11,738,788	(12,369,406)	11,284,530
Operating assets	1,743,422,059	3,291,447,851	28,097,029	9,797,332	274,750,617	(342,112,108)	5,005,402,780
Investments under equity method	4,696,998	4,016,883	1,055,058	773,813	223,486,018	(232,740,927)	1,287,843
Operating liabilities	1,638,945,615	3,175,878,323	22,611,742	5,542,160	55,487,514	(110,774,147)	4,787,691,207

English Translation of Financial Statements Originally Issued in Chinese

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

For the year ended December 31, 2011

Items	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Other division (US\$)	Reconciliation (US\$)	Total (US\$)
Net interest income	\$1,007,281	\$2,871,513	\$11,835	\$4,664	\$31,639	\$(40,085)	\$3,886,847
Less: Interest expenses	(388,882)	(1,308)	-	(201)	(38,574)	12,731	(416,234)
Net interest income	618,399	2,870,205	11,835	4,463	(6,935)	(27,354)	3,470,613
External customer	630,613	2,860,410	10,201	4,463	(35,074)	-	3,470,613
Inter-segment	(12,214)	9,795	1,634	-	28,139	(27,354)	-
Net income other than interest	388,559	4,487,356	161,455	15,847	450,843	(557,537)	4,946,523
Gains on investments under equity method	11,207	(8,888)	(3,766)	1,095	384,056	(380,181)	3,523
External customer	105,870	4,274,719	140,509	17,335	408,090	-	4,946,523
Inter-segment	282,689	212,637	20,946	(1,488)	42,753	(557,537)	-
Total income	1,006,958	7,357,561	173,290	20,310	443,908	(584,891)	8,417,136
Bad debt expenses	(20,576)	(14,148)	(380)	-	-	-	(35,104)
Provision for premiums reserve	-	(6,454,187)	(28,047)	-	-	-	(6,482,234)
Operating expenses	(541,692)	(1,010,504)	(128,029)	(22,352)	(55,738)	176,255	(1,582,060)
Depreciation and amortizations expenses	(41,261)	(88,764)	(3,149)	(644)	(2,125)	-	(135,943)
Income (loss) from continuing operations before income taxes	444,690	(121,278)	16,834	(2,042)	388,170	(408,636)	317,738
Income taxes (expense) benefit	(57,604)	117,787	(4,381)	(378)	(366)	-	55,058
Consolidated net income	387,086	(3,491)	12,453	(2,420)	387,804	(408,636)	372,796
Operating assets	57,595,707	108,736,302	928,214	323,665	9,076,664	(11,302,019)	165,358,533
Investments under equity method	155,170	132,702	34,855	25,564	7,383,086	(7,688,832)	42,545
Operating liabilities	54,144,222	104,918,346	747,002	183,091	1,833,086	(3,659,536)	158,166,211

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Audited Balance sheets

As of December 31, 2012 and 2011

(Expressed in thousands of dollars)

	December 31, 2012		December 31, 2011	
	NT \$	US \$	NT \$	US \$
Assets				
Cash and cash equivalents	\$7,141,598	\$245,838	\$4,121,526	\$136,159
Receivables -net	6,454,364	222,181	5,207,033	172,020
Held-to-maturity financial assets	31,000,000	1,067,126	31,000,000	1,024,116
Investments under equity method	252,085,633	8,677,646	223,253,372	7,375,401
Other financial assets -net	538,407	18,534	538,407	17,787
Property and equipment -net	4,739	163	3,645	120
Goodwill and intangible assets -net	-	-	62	2
Other assets -net	1,122,807	38,651	2,110,428	69,720
Total assets	\$298,347,548	\$10,270,139	\$266,234,473	\$8,795,325
Liabilities & stockholders' equity				
Payables	\$5,940,874	\$204,505	\$6,103,726	\$201,643
Financial liabilities at fair value through profit and loss	182,100	6,269	-	-
Short-term notes and bills payable	-	-	6,430,000	212,422
Bonds payable	47,312,376	1,628,653	40,000,000	1,321,440
Other payable	79,364	2,732	39,812	1,315
Total liabilities	53,514,714	1,842,159	52,573,538	1,736,820
Stockholders' equity				
Capital stock				
Common stock	108,653,851	3,740,236	103,575,096	3,421,708
Capital surplus	78,596,121	2,705,546	78,508,148	2,593,596
Retained earnings				
Legal reserve	15,222,599	524,014	14,105,459	465,988
Special reserve	333,598	11,483	333,598	11,021
Unappropriated retained earnings	20,031,074	689,538	14,303,983	472,547
Equity adjustments				
Reserve for land revaluation increment	1,461	50	1,461	48
Cumulative conversion adjustments	(1,082,092)	(37,249)	(378,126)	(12,492)
Unrealized gains or losses on financial instruments	31,349,676	1,079,163	11,816,355	390,365
Treasury stock	(7,179,872)	(247,156)	(7,179,872)	(237,194)
Net loss not yet recognized as net pension cost	(1,093,582)	(37,645)	(1,425,167)	(47,082)
Total stockholders' equity	244,832,834	8,427,980	213,660,935	7,058,505
Total liabilities and stockholders' equity	\$298,347,548	\$10,270,139	\$266,234,473	\$8,795,325

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Audited Statements of Income

For the years ended December 31, 2012 and 2011

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

	2012		2011					
	NT \$	US \$	NT \$	US \$				
Income								
Gain on investment-equity method	\$17,585,528	\$605,354	\$11,591,873	\$382,949				
Other operating income	1,195,048	41,138	965,557	31,898				
	<u>18,780,576</u>	<u>646,492</u>	<u>12,557,430</u>	<u>414,847</u>				
Expenses and loss								
Operating expenses	(466,002)	(16,041)	(344,844)	(11,392)				
Other expenses and losses	(1,441,998)	(49,639)	(1,169,077)	(38,622)				
	<u>(1,908,000)</u>	<u>(65,680)</u>	<u>(1,513,921)</u>	<u>(50,014)</u>				
Income from continuing operations before income taxes	16,872,576	580,812	11,043,509	364,833				
Income taxes benefit	129,165	4,446	85,389	2,821				
Net income	<u>\$17,001,741</u>	<u>\$585,258</u>	<u>\$11,128,898</u>	<u>\$367,654</u>				
Earnings per share (expressed in dollars)								
Primary earnings per share:	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Net income	<u>\$1.58</u>	<u>\$1.59</u>	<u>\$0.05</u>	<u>\$0.05</u>	<u>\$1.02</u>	<u>\$1.03</u>	<u>\$0.03</u>	<u>\$0.03</u>
Diluted earnings per share:								
Net income	<u>\$1.57</u>	<u>\$1.58</u>	<u>\$0.05</u>	<u>\$0.05</u>	<u>\$1.02</u>	<u>\$1.03</u>	<u>\$0.03</u>	<u>\$0.03</u>

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Audited Statements of Changes in Stockholders' Equity

For the years ended December 31, 2012 and 2011

(Expressed in thousands of dollars)

Summary	Retained earnings										Other stockholders' equity											
	Common stock		Capital surplus		Legal reserve		Special reserve		Unappropriated retained earnings		Land revaluation		Cumulative conversion		Unrealized gains or losses on financial instruments		Treasury stock		Net loss not recognized		Total	
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Balance on January 1, 2011	\$101,544,212	\$3,354,616	\$78,508,148	\$2,593,596	\$13,645,400	\$450,790	\$-	\$-	\$11,748,433	\$388,121	\$1,461	\$48	\$ (893,051)	\$ (29,503)	\$14,672,597	\$484,724	\$-	\$-	\$ (650,993)	\$ (21,506)	\$218,576,207	\$7,220,886
Appropriations and distribution for 2010 (Note1)																						
Legal reserve					460,059	15,198			(460,059)	(15,198)											-	-
Cash dividends									(6,092,652)	(201,277)											(6,092,652)	(201,277)
Stock dividend	2,030,884	67,092							(2,030,884)	(67,092)											-	-
Cumulative translation adjustments													514,925	17,011							514,925	17,011
Unrealized gains or losses of financial instruments															(2,856,242)	(94,359)					(2,856,242)	(94,359)
Purchase of treasury stock																	(7,179,872)	(237,194)			(7,179,872)	(237,194)
Adjustment made by subsidiarise							333,598	11,021	10,247	339											343,845	11,360
Net loss not recognized as pension cost																			(774,174)	(25,576)	(774,174)	(25,576)
Net income for the year ended December 31, 2011									11,128,898	367,654											11,128,898	367,654
Balance on December 31, 2011	\$103,575,096	\$3,421,708	\$78,508,148	\$2,593,596	\$14,105,459	\$465,988	\$333,598	\$11,021	\$14,303,983	\$472,547	\$1,461	\$48	\$ (378,126)	\$ (12,492)	\$11,816,355	\$390,365	\$ (7,179,872)	\$ (237,194)	\$ (1,425,167)	\$ (47,082)	\$213,660,935	\$7,058,505
Balance on January 1, 2012	\$103,575,096	\$3,565,408	\$78,508,148	\$2,702,518	\$14,105,459	\$485,558	\$333,598	\$11,483	\$14,303,983	\$492,392	\$1,461	\$50	\$ (378,126)	\$ (13,016)	\$11,816,355	\$406,759	\$ (7,179,872)	\$ (247,156)	\$ (1,425,167)	\$ (49,059)	\$213,660,935	\$7,354,937
Appropriations and distribution for 2011 (Note2)																						
Legal reserve					1,117,140	38,456			(1,117,140)	(38,456)											-	-
Cash dividends									(5,078,755)	(174,828)											(5,078,755)	(174,828)
Stock dividend	5,078,755	174,828							(5,078,755)	(174,828)											-	-
Cumulative translation adjustments													(703,966)	(24,233)							(703,966)	(24,233)
Unrealized gains or losses of financial instruments															19,533,321	672,404					19,533,321	672,404
Embedded conversion options derived from convertible bonds			87,973	3,028																	87,973	3,028
Net loss not recognized as pension cost																			331,585	11,414	331,585	11,414
Net income for the year ended December 31, 2012									17,001,741	585,258											17,001,741	585,258
Balance on December 31, 2012	\$108,653,851	\$3,740,236	\$78,596,121	\$2,705,546	\$15,222,599	\$524,014	\$333,598	\$11,483	\$20,031,074	\$689,538	\$1,461	\$50	\$ (1,082,092)	\$ (37,249)	\$31,349,676	\$1,079,163	\$ (7,179,872)	\$ (247,156)	\$ (1,093,582)	\$ (37,645)	\$244,832,834	\$8,427,980

Note1 : The remuneration of directors and supervisors NT \$5,400 (US\$178) thousands, employee bonus NT \$813 (US\$27) thousands were recorded as operating cost and expense in 2011.

Note2 : The remuneration of directors and supervisors NT \$5,400 (US\$186) thousands, employee bonus NT \$1,016 (US\$35) thousands were recorded as operating cost and expense in 2012.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Audited Statements of cash flows

For the years ended December 31, 2012 and 2011

(Expressed in thousands of dollars)

	2012		2011	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Net income	\$17,001,741	\$585,258	\$11,128,898	\$367,654
Adjustments:				
Income and other adjustments with no cash flow effects				
Amortizations	62	2	62	2
Depreciation	1,136	39	1,090	36
Losses on disposal of property and equipment	-	-	48	2
Investment income recognized by equity method more than cash dividends received	(9,412,207)	(324,000)	(3,711,085)	(122,599)
Unrealized revaluation gain on bonds payable	(207,604)	(7,146)	-	-
Amortization of discounts on bonds payable	23,352	804	-	-
Effects of exchange rate changes	31,928	1,099	(116)	(4)
Changes in operating assets and liabilities				
(Increase) decrease in accounts receivable	(1,247,331)	(42,937)	327,075	10,805
Decrease in deferred income tax assets	986,270	33,951	19,130	632
Decrease (Increase) in other assets	2,140	73	(145,907)	(4,820)
Increase (decrease) in accounts payable	1,866,397	64,248	(2,483,149)	(82,033)
Increase in financial liabilities at fair value through profit and loss	182,100	6,268	-	-
(Decrease) increase in income tax payable	(2,029,249)	(69,854)	1,288,584	42,570
Increase in deferred income tax liabilities	34,890	1,201	1	-
Increase in other liabilities	4,662	160	3,290	108
Net cash provided by operating activities	7,238,287	249,166	6,427,921	212,353
Cash flows from investing activities				
Acquisition of investments under equity method	(59,120)	(2,035)	(2,803,784)	(92,626)
Capital increase by cash for subsidiary under equity method	(199,992)	(6,884)	(714,852)	(23,616)
Acquisition of financial assets carried at cost	-	-	(506,687)	(16,739)
Acquisition of held-to-maturity financial assets	-	-	(6,000,000)	(198,216)
Acquisition of property and equipment	(2,231)	(77)	(437)	(14)
Increase in refundable deposit	(788)	(27)	-	-
Net cash used in investing activities	(262,131)	(9,023)	(10,025,760)	(331,211)
Cash flows from financing activities				
(Decrease) increase in short-term notes and bills payable	(6,430,000)	(221,343)	6,430,000	212,422
Issue convertible bonds	7,623,096	262,413	-	-
Issue costs of convertible bonds	(38,497)	(1,325)	-	-
Cash dividends	(5,078,755)	(174,828)	(6,092,652)	(201,277)
Purchase of treasury stock	-	-	(7,179,872)	(237,195)
Net cash used in financing activities	(3,924,156)	(135,083)	(6,842,524)	(226,050)
Effects of exchange rate changes	(31,928)	(1,099)	116	4
Increase (decrease) in cash and cash equivalents	3,020,072	103,961	(10,440,247)	(344,904)
Cash and cash equivalents at the beginning of year	4,121,526	141,877	14,561,773	481,063
Cash and cash equivalents at the end of year	\$7,141,598	\$245,838	\$4,121,526	\$136,159
Supplemental disclosure of cash flows information				
Interest paid during the period	\$1,193,821	\$41,095	\$1,166,423	\$38,534
Income tax paid	\$1,467,769	\$50,526	\$892,862	\$29,497

English Translation of Financial Statements Originally Issued in Chinese

36.The major subsidiaries' condensed balance sheets and statements of income

**Cathay Life Insurance Co., Ltd.
Condensed Balance Sheets
As of December 31, 2012 and 2011
(Expressed in thousands of dollars)**

Items	December 31, 2012		December 31, 2011	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$379,738,487	\$13,071,893	\$374,353,961	\$12,367,161
Receivables	60,115,199	2,069,370	45,684,727	1,509,241
Investments	2,803,406,633	96,502,810	2,509,415,150	82,901,062
Reinsurance reserve assets	9,157,952	315,248	9,159,908	302,607
Property and equipment	20,508,928	705,987	13,029,771	430,452
Intangible assets	147,816	5,088	267,387	8,833
Other assets	362,059,507	12,463,322	325,458,364	10,751,845
Total assets	\$3,635,134,522	\$125,133,718	\$3,277,369,268	\$108,271,201
Liabilities				
Payables	\$37,262,033	\$1,282,686	\$22,003,803	\$726,918
Financial liabilities	32,079,457	1,104,284	47,468,901	1,568,183
Liabilities reserve	3,088,412,857	106,313,696	2,793,900,127	92,299,310
Other liabilities	342,106,891	11,776,485	301,571,863	9,962,731
Total liabilities	3,499,861,238	120,477,151	3,164,944,694	104,557,142
Stockholders' equity				
Capital stock	53,065,274	1,826,687	53,065,274	1,753,065
Capital surplus	13,009,649	447,836	13,009,649	429,787
Retained earnings	39,768,944	1,368,983	36,488,955	1,205,449
Others	29,429,417	1,013,061	9,860,696	325,758
Total stockholders' equity	135,273,284	4,656,567	112,424,574	3,714,059
Total liabilities and stockholders' equity	\$3,635,134,522	\$125,133,718	\$3,277,369,268	\$108,271,201

**Cathay Life Insurance Co., Ltd.
Condensed Statements of Income
For the years ended December 31, 2012 and 2011
(Expressed in thousands of dollars, except earnings per share)**

Items	2012		2011	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$683,636,392	\$23,533,094	\$580,879,514	\$19,189,941
Operating costs	(666,987,338)	(22,959,977)	(571,268,764)	(18,872,440)
Operating gross profit	16,649,054	573,117	9,610,750	317,501
Operating expenses	(16,134,194)	(555,394)	(13,699,538)	(452,578)
Non-operating revenues	1,878,483	64,664	1,767,487	58,391
Non-operating expenses	(911,668)	(31,383)	(833,718)	(27,543)
Income (loss) from continuing operations before income ta	\$1,481,675	\$51,004	\$(3,155,019)	\$(104,229)
Net income	\$3,279,989	\$112,908	\$455,880	\$15,060
Earnings per share (in dollars)				
Income (loss) from continuing operations before income ta	\$0.28	\$0.01	\$(0.59)	\$(0.02)
Net income	\$0.62	\$0.02	\$0.09	\$-

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Condensed Balance Sheets

As of December 31, 2012 and 2011

(Expressed in thousands of dollars)

Items	December 31, 2012		December 31, 2011	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$5,025,506	\$172,995	\$6,159,377	\$203,481
Receivables	4,073,872	140,236	3,519,359	116,265
Investments	13,039,258	448,856	10,901,527	360,143
Reinsurance reserve assets	4,205,066	144,753	4,202,331	138,828
Property and equipment	101,738	3,502	136,795	4,519
Intangible assets	24,804	854	29,353	970
Other assets	801,108	27,577	616,315	20,361
Total assets	\$27,271,352	\$938,773	\$25,565,057	\$844,567
Liabilities				
Payables	\$2,095,542	\$72,136	\$1,946,257	\$64,296
Financial liabilities	1,000,000	34,423	1,045,000	34,523
Liabilities reserve	19,080,300	656,809	18,445,491	609,365
Other liabilities	511,341	17,602	321,685	10,627
Total liabilities	22,687,183	780,970	21,758,433	718,811
Stockholders' equity				
Capital stock	2,522,950	86,849	2,317,006	76,544
Capital surplus	1,929	66	1,929	64
Retained earnings	2,161,834	74,418	1,677,143	55,406
Others	(102,544)	(3,530)	(189,454)	(6,258)
Total stockholders' equity	4,584,169	157,803	3,806,624	125,756
Total liabilities and stockholders' equity	\$27,271,352	\$938,773	\$25,565,057	\$844,567

Cathay Century Insurance Co., Ltd.

Condensed Statements of Income

For the years ended December 31, 2012 and 2011

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

Items	2012		2011	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$11,538,906	\$397,208	\$10,254,987	\$338,784
Operating costs	(6,871,426)	(236,538)	(6,107,615)	(201,771)
Operating gross profit	4,667,480	160,670	4,147,372	137,013
Operating expenses	(3,778,448)	(130,067)	(3,426,368)	(113,194)
Non-operating revenues	18,002	620	14,503	479
Non-operating expenses	(19,142)	(659)	(3,271)	(108)
Income from continuing operations before income taxes	\$887,892	\$30,564	\$732,236	\$24,190
Net income	\$690,635	\$23,774	\$601,782	\$19,880
Earnings per share (in dollars)				
Income from continuing operations before income taxes	\$3.52	\$0.12	\$2.90	\$0.10
Net income	\$2.74	\$0.09	\$2.39	\$0.08

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd. (China)

Condensed Balance Sheets

As of December 31, 2012 and 2011

(Expressed in thousands of dollars)

Items	December 31, 2012		December 31, 2011	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$3,708,574	\$127,662	\$3,642,369	\$120,329
Receivables	399,447	13,750	404,156	13,352
Investments	5,590,220	192,434	6,427,823	212,350
Reinsurance reserve assets	7,683	264	8,525	282
Property and equipment	128,242	4,415	154,889	5,117
Intangible assets	94,237	3,244	113,833	3,760
Other assets	1,552,230	53,433	1,719,147	56,794
Total assets	\$11,480,633	\$395,202	\$12,470,742	\$411,984
Liabilities				
Payables	\$714,954	\$24,611	\$491,420	\$16,235
Financial liabilities	297,268	10,233	201,158	6,645
Liabilities reserve	8,523,557	293,410	9,400,743	310,563
Other liabilities	375,802	12,936	574,633	18,984
Total liabilities	9,911,581	341,190	10,667,954	352,427
Stockholders' equity				
Capital stock	5,134,155	176,735	5,134,155	169,612
Retained earnings	(3,916,879)	(134,832)	(3,629,795)	(119,914)
Others	351,776	12,109	298,428	9,859
Total stockholders' equity	1,569,052	54,012	1,802,788	59,557
Total liabilities and stockholders' equity	\$11,480,633	\$395,202	\$12,470,742	\$411,984

Cathay Life Insurance Co., Ltd. (China)

Condensed Statements of Income

For the years ended December 31, 2012 and 2011

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

Items	2012		2011	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$2,740,637	\$94,342	\$2,890,923	\$95,504
Operating costs	(1,773,656)	(61,055)	(2,006,126)	(66,274)
Operating gross profit	966,981	33,287	884,797	29,230
Operating expenses	(1,214,137)	(41,795)	(1,318,269)	(43,550)
Non-operating revenues	1,566	54	1,027	34
Non-operating expenses	(1,336)	(46)	(1,602)	(53)
Loss from continuing operations before income taxes	\$(246,926)	\$(8,500)	\$(434,047)	\$(14,339)
Net loss	\$(287,084)	\$(9,882)	\$(469,394)	\$(15,507)
Earnings per share (in dollars)				
Loss from continuing operations before income taxes	Note	Note	Note	Note
Net loss	Note	Note	Note	Note

Note : Cathay Life (China) is a limited company, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance (Vietnam) Co., Ltd.

Condensed Balance Sheets

As of December 31, 2012 and 2011

(Expressed in thousands of dollars)

Items	December 31, 2012		December 31, 2011	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$706,829	\$24,332	\$568,133	\$18,769
Loans	9,305	320	4,590	152
Funds and investments	932,943	32,115	947,621	31,306
Property and equipment	18,322	631	32,810	1,084
Intangible assets	5,742	198	13,413	443
Other assets	32,604	1,122	41,274	1,363
Total assets	\$1,705,745	\$58,718	\$1,607,841	\$53,117
Liabilities				
Current liabilities	\$14,374	\$495	\$27,231	\$900
Long-term liabilities	208	7	370	12
Liabilities reserve	\$305,830	10,528	235,821	7,791
Other liabilities	-	-	2,254	74
Total liabilities	320,412	11,030	265,676	8,777
Stockholders' equity				
Capital stock	1,940,080	66,784	1,940,080	64,093
Retained earnings	2,296	79	(75,371)	(2,490)
Others	(557,043)	(19,175)	(522,544)	(17,263)
Total stockholders' equity	1,385,333	47,688	1,342,165	44,340
Total liabilities and stockholders' equity	\$1,705,745	\$58,718	\$1,607,841	\$53,117

Cathay Life Insurance (Vietnam) Co., Ltd.

Condensed Statements of Income

For the years ended December 31, 2012 and 2011

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

Items	2012		2011	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$340,863	\$11,734	\$437,549	\$14,455
Operating costs	(126,536)	(4,356)	(206,040)	(6,807)
Operating gross profit	214,327	7,378	231,509	7,648
Operating expenses	(222,198)	(7,649)	(313,998)	(10,373)
Non-operating revenues	2,127	73	499	16
Non-operating expenses	(2,510)	(86)	-	-
Loss from continuing operations before income taxes	\$(8,254)	\$(284)	\$(81,990)	\$(2,709)
Net loss	\$(6,033)	\$(208)	\$(92,125)	\$(3,043)
Earnings per share (in dollars)				
Loss from continuing operations before income taxes	Note	Note	Note	Note
Net loss	Note	Note	Note	Note

Note : Cathay Life (Vietnam) is a limited company, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

**Lin Yuan (Shanghai) Real Estate Co., Ltd.
Condensed Balance Sheets
As of December 31, 2012
(Expressed in thousands of dollars)**

Items	December 31, 2012	
	NT\$	US\$
Assets		
Current assets	\$411,418	\$14,163
Property and equipment	3,276,008	112,771
Total assets	<u>\$3,687,426</u>	<u>\$126,934</u>
Liabilities		
Current liabilities	\$5,377	\$185
Total liabilities	<u>5,377</u>	<u>185</u>
Stockholders' equity		
Capital stock	3,773,774	129,906
Retained earnings	(57,489)	(1,979)
Others	(34,236)	(1,178)
Total stockholders' equity	<u>3,682,049</u>	<u>126,749</u>
Total liabilities and stockholders' equity	<u>\$3,687,426</u>	<u>\$126,934</u>

**Lin Yuan (Shanghai) Real Estate Co., Ltd.
Condensed Statements of Income
For the year ended December 31, 2012
(Expressed in thousands of dollars, except earnings per share)**

Items	2012	
	NT\$	US\$
Operating expenses	\$(32,848)	\$(1,131)
Non-operating revenues	128	4
Non-operating expenses	(24,769)	(852)
Loss from continuing operations before income taxes	<u>\$(57,489)</u>	<u>\$(1,979)</u>
Net loss	<u>\$(57,489)</u>	<u>\$(1,979)</u>
Earnings per share (in dollars)		
Loss from continuing operations before income taxes	<u>Note 1</u>	<u>Note 1</u>
Net loss	<u>Note 1</u>	<u>Note 1</u>

Note 1 : Lin Yuan is a limited company, there is no information about earnings per share.

Note 2 : Lin Yuan was incorporated on August 15, 2012, thus there was no information about last period.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Insurance Co., Ltd (China)

Condensed Balance Sheets

As of December 31, 2012 and 2011

(Expressed in thousands of dollars)

Items	December 31, 2012		December 31, 2011	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$476,055	\$16,388	\$503,093	\$16,620
Receivables	141,039	4,855	122,736	4,055
Investments	705,753	24,294	780,613	25,789
Reinsurance reserve assets	308,462	10,618	223,672	7,389
Property and equipment	44,380	1,528	38,511	1,272
Intangible assets	6,998	241	393	13
Other assets	403,365	13,885	415,795	13,736
Total assets	\$2,086,052	\$71,809	\$2,084,813	\$68,874
Liabilities				
Payables	\$119,446	\$4,112	\$153,395	\$5,068
Liabilities reserve	1,292,161	44,480	611,915	20,215
Other liabilities	73,865	2,543	61,363	2,027
Total liabilities	1,485,472	51,135	826,673	27,310
Stockholders' equity				
Capital stock	1,745,942	60,101	1,745,942	57,679
Retained earnings	(1,265,328)	(43,557)	(616,335)	(20,361)
Others	119,966	4,130	128,533	4,246
Total stockholders' equity	600,580	20,674	1,258,140	41,564
Total liabilities and stockholders' equity	\$2,086,052	\$71,809	\$2,084,813	\$68,874

Cathay Insurance Co., Ltd (China)

Condensed Statements of Income

For the years ended December 31, 2012 and 2011

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

Items	2012		2011	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$855,733	\$29,457	\$462,727	\$15,287
Operating costs	(920,189)	(31,676)	(303,756)	(10,035)
Operating gross profit	(64,456)	(2,219)	158,971	\$5,252
Operating expenses	(576,451)	(19,843)	(392,293)	(12,960)
Non-operating revenues	759	26	11,152	368
Non-operating expenses	(8,845)	(305)	(31)	(1)
Loss from continuing operations before income taxes	\$(648,993)	\$(22,341)	\$(222,201)	\$(7,341)
Net loss	\$(648,993)	\$(22,341)	\$(222,201)	\$(7,341)
Earnings per share (in dollars)				
Loss from continuing operations before income taxes	Note	Note	Note	Note
Net loss	Note	Note	Note	Note

Note : Cathay Century (China) is a limited company, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Insurance (Vietnam) Co., Ltd.

Condensed Balance Sheets

As of December 31, 2012 and 2011

(Expressed in thousands of dollars)

Items	December 31, 2012		December 31, 2011	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$374,368	\$12,887	\$370,136	\$12,228
Property and equipment	38,271	1,318	50,494	1,668
Intangible assets	7,434	256	11,638	384
Other assets	15,670	539	14,891	492
Total assets	<u>\$435,743</u>	<u>\$15,000</u>	<u>\$447,159</u>	<u>\$14,772</u>
Liabilities				
Current liabilities	\$20,245	\$697	\$16,068	\$531
Liabilities reserve	37,360	1,286	8,375	277
Other liabilities	356	12	2,193	72
Total liabilities	<u>57,961</u>	<u>1,995</u>	<u>26,636</u>	<u>880</u>
Stockholders' equity				
Capital stock	517,502	17,814	517,502	\$17,096
Retained earnings	(34,576)	(1,190)	(4,907)	(162)
Others	(105,144)	(3,619)	(92,072)	(3,042)
Total stockholders' equity	<u>377,782</u>	<u>13,005</u>	<u>420,523</u>	<u>13,892</u>
Total liabilities and stockholders' equity	<u>\$435,743</u>	<u>\$15,000</u>	<u>\$447,159</u>	<u>\$14,772</u>

Cathay Insurance (Vietnam) Co., Ltd.

Condensed Statements of Income

For the years ended December 31, 2012 and 2011

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

Items	2012		2011	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$114,117	\$3,928	\$96,363	\$3,183
Operating costs	(67,608)	(2,327)	(28,526)	(942)
Operating gross profit	46,509	1,601	67,837	2,241
Operating expenses	(77,983)	(2,684)	(68,306)	(2,256)
Non-operating revenues	68	2	2	-
Non-operating expenses	(61)	(2)	-	-
Loss from continuing operations before income taxes	<u>\$(31,467)</u>	<u>\$(1,083)</u>	<u>\$(467)</u>	<u>\$(15)</u>
Net loss	<u>\$(29,669)</u>	<u>\$(1,021)</u>	<u>\$(2,637)</u>	<u>\$(87)</u>
Earnings per share (in dollars)				
Loss from continuing operations before income taxes	<u>Note</u>	<u>Note</u>	<u>Note</u>	<u>Note</u>
Net loss	<u>Note</u>	<u>Note</u>	<u>Note</u>	<u>Note</u>

Note : Cathay Century (Vietnam) is a limited company, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

**Cathay United Bank Co., Ltd.
Condensed Balance Sheets
As of December 31, 2012 and 2011
(Expressed in thousands of dollars)**

Items	December 31, 2012		December 31, 2011	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$33,496,114	\$1,153,050	\$29,191,573	\$964,373
Due from the Central Bank and call loans to banks	98,844,688	3,402,571	88,690,435	2,929,978
Financial assets at fair value through profit or loss	67,796,967	2,333,803	21,799,721	720,176
Securities purchased under agreements to resell	-	-	2,308,788	76,273
Receivables-net	50,824,045	1,749,537	45,699,636	1,509,734
Discounts and loans-net	986,516,412	33,959,257	984,101,470	32,510,785
Available-for-sale financial assets -net	57,681,737	1,985,602	47,322,633	1,563,351
Held-to-maturity financial assets-net	20,542,870	707,156	18,176,146	600,467
Investments under equity method-net	5,038,973	173,459	4,696,999	155,170
Other financial assets-net	4,525,421	155,780	4,840,800	159,921
Investments in debt securities with no active market-net	424,043,663	14,597,028	425,140,266	14,044,938
Property and equipment-net	23,867,620	821,605	24,698,951	815,955
Intangible assets-net	7,164,320	246,620	7,277,073	240,405
Other assets-net	6,216,017	213,976	4,395,256	145,202
Total assets	\$1,786,558,847	\$61,499,444	\$1,708,339,747	\$56,436,728
Liabilities				
Due to the Central Bank and call loans from banks	\$51,891,103	\$1,786,269	\$53,815,904	\$1,777,863
Funds borrowed from the Central Bank and other banks	1,456,800	50,148	1,514,500	50,033
Financial liabilities at fair value through profit or loss	4,967,738	171,006	4,835,152	159,734
Securities sold under agreements to repurchase	20,369,249	701,179	13,546,462	447,521
Payables	20,388,329	701,836	20,520,083	677,902
Deposits and remittances	1,520,735,366	52,348,894	1,469,487,309	48,545,996
Financial debentures payable	42,518,631	1,463,636	33,115,240	1,093,995
Other financial liabilities	17,426,191	599,869	10,611,073	350,548
Other liabilities	3,760,062	129,434	2,715,921	89,723
Total liabilities	1,683,513,469	57,952,271	1,610,161,644	53,193,315
Shareholders' equity				
Capital stock	52,277,026	1,799,554	52,277,026	1,727,025
Capital surplus	15,213,292	523,693	15,213,292	502,586
Retained earnings	35,699,786	1,228,908	30,452,058	1,006,014
Others	(144,726)	(4,982)	235,727	7,788
Total shareholders' equity	103,045,378	3,547,173	98,178,103	3,243,413
Total liabilities and shareholders' equity	\$1,786,558,847	\$61,499,444	\$1,708,339,747	\$56,436,728

**Cathay United Bank Co., Ltd.
Condensed Statements of Income
For the years ended December 31, 2012 and 2011
(Expressed in thousands of dollars, except earnings per share)**

Items	2012		2011	
	NT\$	US\$	NT\$	US\$
Net interest income	\$20,280,818	\$698,135	\$17,657,886	\$583,346
Non-interest income	13,466,341	463,557	11,883,959	392,599
Net operating income	33,747,159	1,161,692	29,541,845	975,945
Bad debt expense	(2,050,285)	(70,578)	(525,659)	(17,366)
Operating expenses	(17,159,749)	(590,697)	(16,322,447)	(539,229)
Income from continuing operations before income taxes	\$14,537,125	\$500,417	\$12,693,739	\$419,350
Net income	\$13,068,125	\$449,849	\$11,139,739	\$368,013
Earnings per share (in dollars)				
Income from continuing operations before income taxes	\$2.78	\$0.10	\$2.43	\$0.08
Net income	\$2.50	\$0.09	\$2.13	\$0.07

English Translation of Financial Statements Originally Issued in Chinese

Indovina Bank Limited
Condensed Balance Sheets
As of December 31, 2012 and 2011
(Expressed in thousands of dollars)

Items	December 31, 2012		December 31, 2011	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$5,644,843	\$194,314	\$13,655,584	\$451,126
Due from the Central Bank and call loans to banks	7,870,743	270,938	836,687	27,641
Financial assets at fair value through profit or loss	140,920	4,851	114,388	3,779
Available-for-sale financial assets-net	768,191	26,444	516,801	17,073
Held-to-maturity financial assets-net	1,126,103	38,764	1,170,705	38,675
Receivables-net	369,539	12,721	353,155	11,667
Discounts and loans-net	15,808,657	544,188	17,824,324	588,845
Property and equipment-net	281,343	9,685	226,958	7,498
Intangible assets-net	351,370	12,095	370,965	12,255
Other assets-net	11,731	404	12,745	421
Total assets	\$32,373,440	\$1,114,404	\$35,082,312	\$1,158,980
Liabilities				
Due to the Central Bank and call loans from banks	\$8,116,896	\$279,411	\$10,606,785	\$350,406
Payables	1,397,400	48,103	726,723	24,008
Deposits and remittances	17,219,063	592,739	14,541,878	480,406
Bonds payable	-	-	2,908,584	96,088
Other liabilities	4,180	144	-	-
Total liabilities	26,737,539	920,397	28,783,970	950,908
Shareholders' equity				
Capital stock	5,269,493	181,394	5,269,493	174,083
Retained earnings	932,848	32,112	1,354,678	44,753
Others	(566,440)	(19,499)	(325,829)	(10,764)
Total shareholders' equity	5,635,901	194,007	6,298,342	208,072
Total liabilities and shareholders' equity	\$32,373,440	\$1,114,404	\$35,082,312	\$1,158,980

Indovina Bank Limited
Condensed Statements of Income
For the years ended December 31, 2012 and 2011
(Expressed in thousands of dollars, except earnings per share)

Items	2012		2011	
	NT\$	US\$	NT\$	US\$
Net interest income	\$868,053	\$29,881	\$1,060,975	\$35,050
Non-interest income	153,918	5,299	195,841	6,470
Net operating income	1,021,971	35,180	1,256,816	41,520
Bad debt expense	(74,186)	(2,554)	(97,178)	(3,210)
Operating expenses	(415,428)	(14,300)	(392,603)	(12,970)
Income from continuing operations before income taxes	\$532,357	\$18,326	\$767,035	\$25,340
Net income	\$399,465	\$13,751	\$577,364	\$19,074
Earnings per share (in dollars)				
Income from continuing operations before income taxes	Note	Note	Note	Note
Net income	Note	Note	Note	Note

Note : Indovina Bank is a subsidiary of foreign bank, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

Singapore Banking Corporation Limited

Condensed Balance Sheets

As of December 31, 2012 and 2011

(Expressed in thousands of dollars)

Items	December 31, 2012		December 31, 2011	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$678,535	\$23,357	\$467,712	\$15,451
Due from the Central Bank and call loans to banks	519,496	17,883	220,331	7,279
Receivables-net	52,289	1,800	11,569	382
Discounts and loans-net	858,125	29,540	1,024,613	33,849
Other financial assets-net	728	25	757	25
Property and equipment-net	136,718	4,706	138,087	4,562
Intangible assets-net	5,971	206	3,869	128
Other assets-net	27,248	938	35,853	1,185
Total assets	\$2,279,110	\$78,455	\$1,902,791	\$62,861
Liabilities				
Due to the Central Bank and call loans from banks	\$143	\$5	\$-	\$-
Payables	38,488	1,325	25,340	837
Deposits and remittances	1,819,637	62,638	1,445,364	47,749
Bonds payable	5,183	178	6,688	221
Total liabilities	1,863,451	64,146	1,477,392	48,807
Shareholders' equity				
Capital stock	495,312	17,050	514,930	17,011
Retained earnings	(79,552)	(2,738)	(87,063)	(2,876)
Others	(101)	(3)	(2,468)	(81)
Total shareholders' equity	415,659	14,309	425,399	14,054
Total liabilities and shareholders' equity	\$2,279,110	\$78,455	\$1,902,791	\$62,861

Singapore Banking Corporation Limited

Condensed Statements of Income

For the years ended December 31, 2012 and 2011

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

Items	2012		2011	
	NT\$	US\$	NT\$	US\$
Net interest income	\$80,435	\$2,769	\$75,384	\$2,490
Non-interest income	55,508	\$1,911	34,311	1,134
Net operating income	135,943	4,680	109,695	3,624
Bad debt expense	(8,782)	(302)	(10,453)	(345)
Operating expenses	(118,951)	(4,095)	(83,930)	(2,773)
Income from continuing operations before income taxes	\$8,210	\$283	\$15,312	\$506
Net income	\$6,568	\$226	\$12,192	\$403
Earnings per share (in dollars)				
Income from continuing operations before income taxes	Note1	Note1	Note1	Note1
Net income	Note1	Note1	Note1	Note1

Note1 : SBC Bank is a subsidiary of foreign bank, there is no information about earnings per share.

Note2 : SBC Bank was incorporated into the consolidated financial statement of a subsidiary on December 13, 2012.

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Securities Corporation
Condensed Balance Sheets
As of December 31, 2012 and 2011
(Expressed in thousands of dollars)**

Items	December 31, 2012		December 31, 2011	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$12,768,982	\$439,552	\$8,594,497	\$283,928
Funds and investments	781,258	26,893	773,832	25,564
Property and equipment	121,973	4,199	46,341	1,531
Intangible assets	14,748	508	11,097	367
Other assets	455,866	15,692	371,565	12,275
Total assets	<u>\$14,142,827</u>	<u>\$486,844</u>	<u>\$9,797,332</u>	<u>\$323,665</u>
Liabilities				
Current liabilities	\$9,501,555	\$327,076	\$5,528,993	\$182,656
Long-term liabilities	316	11	1,797	59
Other liabilities	12,072	415	11,370	376
Total liabilities	<u>9,513,943</u>	<u>327,502</u>	<u>5,542,160</u>	<u>183,091</u>
Stockholders' equity				
Capital stock	3,866,660	133,104	3,700,000	122,233
Capital surplus	291,766	10,043	258,434	8,538
Retained earnings	460,989	15,869	298,045	9,846
Others	9,469	326	(1,307)	(43)
Total stockholders' equity	<u>4,628,884</u>	<u>159,342</u>	<u>4,255,172</u>	<u>140,574</u>
Total liabilities and stockholders' equity	<u>\$14,142,827</u>	<u>\$486,844</u>	<u>\$9,797,332</u>	<u>\$323,665</u>

**Cathay Securities Corporation
Condensed Statements of Income
For the years ended December 31, 2012 and 2011
(Expressed in thousands of dollars, except for earnings per share)**

Items	2012		2011	
	NT\$	US\$	NT\$	US\$
Revenue	\$1,471,045	\$50,638	\$1,478,490	\$48,844
Expenses	(1,320,006)	(45,439)	(1,540,311)	(50,886)
Income (loss) from continuing operations before income taxes	<u>\$151,039</u>	<u>\$5,199</u>	<u>\$(61,821)</u>	<u>\$(2,042)</u>
Net income (loss)	<u>\$162,944</u>	<u>\$5,609</u>	<u>\$(73,259)</u>	<u>\$(2,420)</u>
Earnings per share (in dollars)				
Income (loss) from continuing operations before income taxes	<u>\$0.40</u>	<u>\$0.01</u>	<u>\$(0.17)</u>	<u>\$(0.01)</u>
Net income (loss)	<u>\$0.43</u>	<u>\$0.01</u>	<u>\$(0.20)</u>	<u>\$(0.01)</u>

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Venture Inc.
Condensed Balance Sheets
As of December 31, 2012 and 2011
(Expressed in thousands of dollars)**

Items	December 31, 2012		December 31, 2011	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$663,149	\$22,828	\$474,206	\$15,666
Funds and investments	1,509,456	51,961	1,711,493	56,541
Property and equipment	306	10	513	17
Other assets	19,561	673	16,076	531
Total assets	<u>\$2,192,472</u>	<u>\$75,472</u>	<u>\$2,202,288</u>	<u>\$72,755</u>
Liabilities				
Current liabilities	\$4,874	\$168	\$4,507	\$149
Long-term liabilities	478	16	-	-
Total liabilities	<u>5,352</u>	<u>184</u>	<u>4,507</u>	<u>149</u>
Stockholders' equity				
Capital stock	2,000,000	68,847	1,895,224	62,611
Retained earnings	205,204	7,064	186,150	6,150
Others	(18,084)	(623)	116,407	3,845
Total stockholders' equity	<u>2,187,120</u>	<u>75,288</u>	<u>2,197,781</u>	<u>72,606</u>
Total liabilities and stockholders' equity	<u>\$2,192,472</u>	<u>\$75,472</u>	<u>\$2,202,288</u>	<u>\$72,755</u>

**Cathay Venture Inc.
Condensed Statements of Income
For the years ended December 31, 2012 and 2011
(Expressed in thousands of dollars, except earnings per share)**

Items	2012		2011	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$230,796	\$7,945	\$309,104	\$10,211
Operating costs	(49,777)	(1,714)	(126,320)	(4,173)
Operating gross profit	181,019	6,231	182,784	6,038
Operating expenses	(6,986)	(240)	(6,513)	(215)
Non-operating revenues	404	14	284	9
Non-operating expenses	(4)	-	(10)	-
Income from continuing operations before income taxes	<u>\$174,433</u>	<u>\$6,005</u>	<u>\$176,545</u>	<u>\$5,832</u>
Net income	<u>\$178,460</u>	<u>\$6,143</u>	<u>\$172,249</u>	<u>\$5,690</u>
Earnings per share (in dollars)				
Income from continuing operations before income taxes	<u>\$0.87</u>	<u>\$0.03</u>	<u>\$0.88</u>	<u>\$0.03</u>
Net income	<u>\$0.89</u>	<u>\$0.03</u>	<u>\$0.86</u>	<u>\$0.03</u>

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Investment Trust Co., Ltd.

Condensed Balance Sheets

As of December 31, 2012 and 2011

(Expressed in thousands of dollars)

Items	December 31, 2012		December 31, 2011	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$1,689,011	\$58,142	\$1,673,311	\$55,280
Funds and investments	328,032	11,292	318,147	10,510
Property and equipment	19,952	687	24,048	794
Intangible assets	32,311	1,112	10,376	343
Other assets	246,125	8,472	189,821	6,271
Total assets	<u>\$2,315,431</u>	<u>\$79,705</u>	<u>\$2,215,703</u>	<u>\$73,198</u>
Liabilities				
Current liabilities	\$183,517	\$6,317	\$155,243	\$5,129
Other liabilities	100,078	3,445	12,641	417
Total liabilities	<u>283,595</u>	<u>9,762</u>	<u>167,884</u>	<u>5,546</u>
Stockholders' equity				
Capital stock	1,500,000	51,635	1,500,000	49,554
Capital surplus	13,908	479	13,908	459
Retained earnings	515,939	17,760	541,458	17,888
Others	1,989	69	(7,547)	(249)
Total stockholders' equity	<u>2,031,836</u>	<u>69,943</u>	<u>2,047,819</u>	<u>67,652</u>
Total liabilities and stockholders' equity	<u>\$2,315,431</u>	<u>\$79,705</u>	<u>\$2,215,703</u>	<u>\$73,198</u>

Cathay Securities Investment Trust Co., Ltd.

Condensed Statements of Income

For the years ended December 31, 2012 and 2011

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

Items	2012		2011	
	NT\$	US\$	NT\$	US\$
Revenue	\$1,134,696	\$39,060	\$1,110,568	\$36,689
Expenses	(801,081)	(27,576)	(703,951)	(23,256)
Income from continuing operations before income taxes	<u>\$333,615</u>	<u>\$11,484</u>	<u>\$406,617</u>	<u>\$13,433</u>
Net income	<u>\$277,157</u>	<u>\$9,541</u>	<u>\$337,500</u>	<u>\$11,150</u>
Earnings per share (in dollars)				
Income from continuing operations before income taxes	<u>\$2.22</u>	<u>\$0.08</u>	<u>\$4.03</u>	<u>\$0.13</u>
Net income	<u>\$1.85</u>	<u>\$0.06</u>	<u>\$3.35</u>	<u>\$0.11</u>

English Translation of Financial Statements Originally Issued in Chinese

**Symphox Information Co., Ltd.
Condensed Balance Sheets
As of December 31, 2012 and 2011
(Expressed in thousands of dollars)**

Items	December 31, 2012		December 31, 2011	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$882,194	\$30,368	\$1,029,491	\$34,010
Property and equipment	133,632	4,600	109,342	3,612
Intangible assets	7,083	244	2,200	73
Other assets	44,631	1,536	17,944	593
Total assets	<u>\$1,067,540</u>	<u>\$36,748</u>	<u>\$1,158,977</u>	<u>\$38,288</u>
Liabilities				
Current liabilities	\$494,648	\$17,027	\$576,232	\$19,036
Other liabilities	62	2	62	2
Total liabilities	<u>494,710</u>	<u>17,029</u>	<u>576,294</u>	<u>19,038</u>
Stockholders' equity				
Capital stock	499,000	17,177	499,000	16,485
Retained earnings	73,858	2,543	83,683	2,765
Others	(28)	(1)	-	-
Total stockholders' equity	<u>572,830</u>	<u>19,719</u>	<u>582,683</u>	<u>19,250</u>
Total liabilities and stockholders' equity	<u>\$1,067,540</u>	<u>\$36,748</u>	<u>\$1,158,977</u>	<u>\$38,288</u>

**Symphox Information Co., Ltd.
Condensed Statements of Income
For the years ended December 31, 2012 and 2011
(Expressed in thousands of dollars, except earnings per share)**

Items	2012		2011	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$1,850,038	\$63,685	\$1,873,449	\$61,891
Operating costs	(1,644,159)	(56,598)	(1,642,872)	(54,274)
Operating gross profit	205,879	7,087	230,577	7,617
Operating expenses	(155,003)	(5,336)	(152,923)	(5,052)
Non-operating revenues	7,688	265	6,979	231
Non-operating expenses	(6)	-	(110)	(4)
Income from continuing operations before income taxes	<u>\$58,558</u>	<u>\$2,016</u>	<u>\$84,523</u>	<u>\$2,792</u>
Net income	<u>\$50,467</u>	<u>\$1,737</u>	<u>\$66,991</u>	<u>\$2,213</u>
Earnings per share (in dollars)				
Income from continuing operations before income taxes	<u>\$1.17</u>	<u>\$0.04</u>	<u>\$1.69</u>	<u>\$0.06</u>
Net income	<u>\$1.01</u>	<u>\$0.03</u>	<u>\$1.34</u>	<u>\$0.04</u>

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Futures Co., Ltd.
Condensed Balance Sheets
As of December 31, 2012 and 2011
(Expressed in thousands of dollars)**

Items	December 31, 2012		December 31, 2011	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$2,516,674	\$86,633	\$2,460,133	\$81,273
Funds and investments	30,500	1,050	30,500	1,008
Property and equipment	59,025	2,032	53,485	1,767
Intangible assets	1,311	45	1,602	53
Other assets	405,255	13,950	393,455	12,998
Total assets	<u>\$3,012,765</u>	<u>\$103,710</u>	<u>\$2,939,175</u>	<u>\$97,099</u>
Liabilities				
Current liabilities	\$2,230,012	\$76,765	\$2,163,850	\$71,485
Other liabilities	1,439	49	1,439	48
Total liabilities	<u>2,231,451</u>	<u>76,814</u>	<u>2,165,289</u>	<u>71,533</u>
Stockholders' equity				
Capital stock	650,000	22,376	650,000	21,473
Retained earnings	131,314	4,520	123,886	4,093
Total stockholders' equity	<u>781,314</u>	<u>26,896</u>	<u>773,886</u>	<u>25,566</u>
Total liabilities and stockholders' equity	<u>\$3,012,765</u>	<u>\$103,710</u>	<u>\$2,939,175</u>	<u>\$97,099</u>

**Cathay Futures Co., Ltd.
Condensed Statements of Income
For the years ended December 31, 2012 and 2011
(Expressed in thousands of dollars, except earnings per share)**

Items	2012		2011	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$147,259	\$5,069	\$146,937	\$4,854
Operating expenses	(112,356)	(3,868)	(108,251)	(3,576)
Income from continuing operations before income taxes	<u>\$34,903</u>	<u>\$1,201</u>	<u>\$38,686</u>	<u>\$1,278</u>
Net income	<u>\$30,632</u>	<u>\$1,054</u>	<u>\$33,149</u>	<u>\$1,095</u>
Earnings per share (in dollars)				
Income from continuing operations before income taxes	<u>\$0.54</u>	<u>\$0.02</u>	<u>\$0.60</u>	<u>\$0.02</u>
Net income	<u>\$0.47</u>	<u>\$0.02</u>	<u>\$0.51</u>	<u>\$0.02</u>