



Cathay
Financial Holdings

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Cathay FHC 2014 Corporate Sustainability Report

Each year, Cathay Financial Holdings publishes its annual non-financial report. The "2014 Cathay Corporate Sustainability Report," published in August 2015, covers the financial, environmental, and social initiatives Cathay Financial Holding Co., Ltd (Cathay FHC) undertook in 2014 (from January 1 through December 31).

● Scope of the report:

This report has been prepared based upon the scope of the consolidated financial statements. It encompasses Cathay FHC and its 6 main subsidiaries plus 2 second-layer subsidiaries (namely Cathay Life Insurance (Cathay Life), Cathay United Bank (CUB), Cathay Century Insurance (Cathay Century), Cathay Securities Corporation (Cathay Securities), Cathay Securities Investment Trust (Cathay SITE), Cathay Venture, Cathay Securities Investment Consulting (Cathay SICE), and Cathay Futures), and discloses information that is relevant to Cathay's core region of operations: Taiwan.

● Scope and Basis of this Performance Evaluation:

All financial data quoted in this report has been audited and published in the Company's annual report. The data have been prepared in accordance with IFRS, and all financial figures presented in this report are denominated in NTD.

Analysis of human resource was based on employment data that the Company had gathered in Taiwan, and covered Cathay FHC and its 6 main subsidiaries plus 2 second-layer subsidiaries. Some statistics have excluded the sales force due to the special nature of the business involved. Please refer to footnote disclosures beneath each table for details and formulas.

Environmental performance was measured based on information published by the government; please refer to footnote disclosures beneath each table for explanations regarding the basis of calculation. Among the measurements presented, greenhouse gas inventory was conducted on Cathay FHC and its 6 main subsidiaries plus 2 second-layer subsidiaries, including all head offices and major branches located throughout Taiwan; whereas waste and water statistics were surveyed only on the main buildings occupied by Cathay Life Insurance and Cathay United Bank.

Environmental and social driven financial products and services pertain to all markets where Cathay's products

are sold; though the majority of sales activities are in Taiwan, some of the Company's products have already been marketed into Vietnam, Japan and the United States.

Charity-related disclosures presented in the environmental and social chapters pertain to all activities engaged by subsidiaries, Cathay Charity Foundation, and Cathay United Bank Culture and Charity Foundation.

The scope and disclosure of this report has been adjusted. In addition to the original scope of the 2013 report (Cathay FHC and its 6 main subsidiaries), the report also incorporates the annual performance of 2 second-layer subsidiaries.

● Reporting guidelines:

This report has been structured in accordance with GRI (Global Reporting Initiative) G4, Financial Services Sector Supplement, Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, ISO 26000 Social Responsibility Guidelines, UN Global Compact, and Regulations Governing Preparation and Filing of CSR Reports by TSEC and GTSM Listed Companies.

● Assurance of the report:

The Company has engaged PwC Taiwan to corroborate its GRI G4 report using the standards published by the Accounting Research and Development Foundation in Statement of Assurance Principles No. 1, "Audit and Review of Non-financial Information" and ISAE3000, to which PwC has concluded with an opinion of limited assurance. A copy of this opinion has been included in the appendices of this report.

Cathay FHC engaged EY to perform an audit on its selected financial information of this report in accordance with R.O.C. Statements of Auditing Standards No. 28 "The Auditor's Report on Special Purpose Audit Engagements." The relevant audit scope and conclusion contained in the report of independent auditors are presented in the appendix of this report.

We also engaged BSI to perform an audit on the greenhouse gas emissions, and obtained ISO14064-1:2006 certification. A copy of this opinion has been included in the appendices of this report.

Company Name	Cathay Financial Holding Co., Ltd.	Tel	+886-2-27087698
Date of Incorporation	December 31, 2001	Number of employees	41,315
Brand Spirit	Rediscovering Happiness	Total Capital Assets	NT\$180,000,000,000
Core Values	Integrity, Accountability, Creativity	Total Assets	NT\$6,094,518,080,000
Total No. of Business Sites	Approx. 800 locations (including in overseas areas)		
Headquarters Address	No. 296, Section 4, Ren'ai Road, Taipei City, Taiwan (R.O.C.)		

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Consistent Philosophy in a Changing World

The global environment is rapidly changing and the risks to the stability of our economy, society environment and becoming greater and more complex. As described in the 2014 Global Risks Report, "global risks are not only interconnected but also have systemic impacts." To effectively manage and build resilience to the impact of these risks, we can no longer adopt a perspective that aims to contain risks as they happen. Instead, we must actually recognize, measure, and predict the dependency of various risks associated with our business activities. It is under this environment, when companies are expected to interact closely with society, that we begin establishing ourselves as a corporate citizen. Corporations should be the source of stability to society, and not a creator of insecurity; which is why the issue of building a sustainable business and bringing stability to society has generated much attention from government agencies, companies and the public today, and has become the ultimate goal of Cathay's "corporate sustainability" efforts. Cathay hopes to take part in the shaping of Taiwan's bright future, and work with everyone to confront the constantly changing times.

Consistency and pragmatism have always been our core values. Since the founding of the Cathay Financial Holdings Corporate Social Responsibility (CSR) Committee in 2011, we have constantly adjusted ourselves to fulfill our values of "integrity, responsibility and creativity." In 2012, Cathay published its first CSR report and created a CSR section on its website. In 2013, we took a greater initiative to disclose information in accordance with the Environmental, Social and Governance (ESG) criteria. By 2014, Cathay attained the highest rating of A++ from the Information Disclosure and Transparency Ranking (IDTR) of Taiwan and received a Carbon Disclosure Project (CDP) score of above the industry average. In the meantime, we have been actively sharing our experience with the preparation of CSR reports in conferences organized by the Taiwan Stock Exchange (TWSE) and Taipei Exchange (TPEX) to help advance ESG disclosures in Taiwan. Our interaction with external stakeholders in 2014 has affirmed our goal to become a sustainable financial institution. We plan to look at our actions with a broader, more long-term view, which is why we have vested our CSR Committee with a higher purpose and renamed it the "Corporate Sustainability Committee" with the addition of a new "responsible investment" working group. With greater vision, the committee will have more opportunities to address needs of society.

It is the fundamental duty of a company to operate in

the best interest of its shareholders. While the Asian market prospered, Cathay also made progress with Cathay Life Insurance and Cathay United Bank, two of its main subsidiaries, both of which delivered record-high profits for the year. In terms of business in China and Southeast Asia, the group currently has established branches in 8 out of 10 ASEAN countries and an additional representative office has received approval from the local regulator. Furthermore, our acquisition of Conning Holdings Corporation brought us one step closer toward establishing banking, insurance and asset management as our three-pillar profit model. Having grown from a local financial institution to a regional organization, we continue to believe in our ability to work for the mutual benefit of our shareholders, customers, and the environment by planning ahead for the next 50, 100, or even 200 years. This vision is what motivated Cathay to undergo a full-scale review and transformation of its lending and charity policies in 2014.

Financial institutions have recently been scrutinized by the public for their investment and lending activities as well as risk exposures. To establish effective control over the lending business, Cathay United Bank (CUB) first revised its "Credit Policy" in August 2014 and, following a series of assessments that lasted almost a year, decided to adopt an international financing convention, the Equator Principles (EPs), in March 2015. This decision was announced during an investor meeting to demonstrate our commitment to change and to incorporate environmental and social elements into our bank's business strategy. This made CUB the only financial institution in Taiwan and the 6th in Asia to adopt these principles. Becoming a signatory of the EPs is just the beginning; what we must commit ourselves to do in the future is to enforce due diligence and to devise plans to monitor large project financings with potential significant impacts on the environment and human rights. Apart from fulfilling our corporate social responsibilities as a financial institution, we also hope to cooperate with peers and participants from other industries and make a greater difference to society.

Taiwan is a friendly society. The Taiwanese people have long been recognized for their compassion and their generosity in making to charities and in response to sudden natural disasters. As a result, they also expect no less from companies Cathay's charity strategy has evolved over time, especially in 2014 when the public became even more attentive to the transparency of financial disclosures and how social enterprises address

social/environmental issues through commercial practices. To satisfy the public's desire to know, Cathay Charity Foundation and Cathay United Bank Culture and Charity Foundation have had their annual financial statements audited by public accountants since their inception, and they publish annual reports as a means to communicate the progress they have made in their charitable efforts. We have also utilized our expertise creatively with respect to charity work, such as the Accident-free Campus Project launched in 2012 by Cathay Century Insurance, which aimed to prevent accidents and improve campus safety in more than 50 elementary schools throughout Taiwan. Before the Executive Yuan declared 2014 to be the first year of Taiwan's social enterprise initiative, in 2013, Cathay United Bank began purchasing products from social enterprises and giving them away to customers as annual gifts. In 2014, Cathay escalated its collaboration with social enterprises by expanding its reach into towards Cambodia. We also encourage young adults to become

society's Change Makers. In a collaborative program with the Colleges of Law, Commerce, and Communication of National Chengchi University, students are assigned to cover inspiring stories about social enterprises and their founders. In the meantime, they also assist social enterprises with transparent disclosures and publishing reports on charitable activities, thereby helping with their compliance requirements. To help promote the stories and products of various social enterprises, we have created a website called "ShoJio" and encouraged employees to contribute by making purchases from the social enterprises that have joined this website and thereby make a tangible contribution to their sales.

Cathay believes that individual efforts made by every person can be amassed into a powerful force. We have seen a new order arising from the chaotic environment we live in, and we invite you to join us in changing society and witness the coming of a new era.

Chairman

Hong-Tu Tsai





Fulfillment of Sustainable Finance

Developing sustainable competitiveness has long been the ultimate goal of Cathay FHC. From raising awareness to making changes, taking actions and embracing opportunities, Cathay has transformed the idea of "corporate social responsibility" into "corporate sustainability" in 2014 to set ourselves a higher standard to achieve. To meet stakeholders' expectations, a dedicated Responsible Investment Working Group has been assembled for the purpose of creating mutually beneficial solutions that would help realize Cathay's vision as the leading financial institution in Asia Pacific.

Transformation of corporate governance for sustainability

Cathay FHC's "CSR Committee" was reorganized into "Corporate Sustainability (CS) Committee" in 2014. Its five main working groups have had their responsibilities adjusted and now include a new responsible investment unit. The CS Committee now operates under the board level, and is being supervised by an independent director.



Changes of material issues in 2014

This survey was different to the ones previously conducted, in the way that it reflected changes in stakeholders' perceptions toward various issues in 2014. Results of this survey served as the basis for our response to stakeholders' expectations.

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External opinions and key decisions

Following the 2014 stakeholder survey, Cathay FHC has identified "responsible investment/lending" and "new strategy for social initiatives" as the two main focuses that will align stakeholders' opinions with the Company's strategies.

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Transformation of Corporate Governance for Sustainability

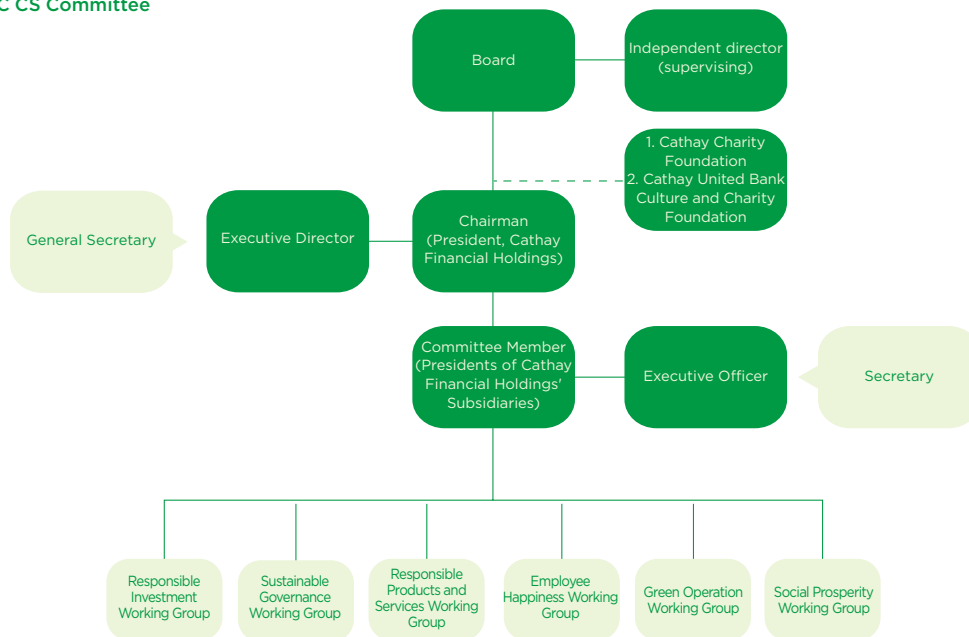
Cathay is well aware of the challenges involves when adopting a sustainable culture. No matter how strongly we implement this idea from the top down, it takes ongoing communication and discipline before employees are able to accept this new idea as part of their own. For more than three years since CSR Committee was founded, Cathay FHC has taken a number of actions such as preparing CSR reports, making institutional changes, assembling cross-sector working groups, setting short/medium/long term goals, and running an internal CSR Award mechanism since 2013.

Given the fact that CSR is an increasingly prominent issue throughout the world, particularly to the authorities, Cathay CSR Committee has undertaken an initiative in 2014 to refine the group's existing practices. In September 2014, the committee's name was changed into "Cathay FHC CS Committee" with the Chairman's approval in the hope of bringing greater foresights into

the issue of sustainability. The following are the major changes made to the organization:

1. Renamed the "CSR (Corporate Social Responsibility) Committee" to the "CS (Corporate Sustainability) Committee" for a broader vision.
2. Empowered the committee with the authority of the board of directors, and assigned an independent director to supervise corporate sustainability affairs.
3. Refined existing working groups (corporate governance, customer care, employee welfare, environmental protection, and social engagement) into six new teams: Responsible Investment, Sustainable Governance, Responsible Products and Services, Employee Happiness, Green Operation, and Social Prosperity, with minor adjustments made to their responsibilities.

● Cathay FHC CS Committee



Changes of Material Issues in 2014

We value public opinions as a guidance for our sustainability, which was why Cathay has been targeting 54 issues instead of 23 since 2013, and expanding its efforts to appease 8 stakeholder categories, namely "investors," "government and authority," "employees," "customers," "key investees/borrowers," "vendors," "CSR

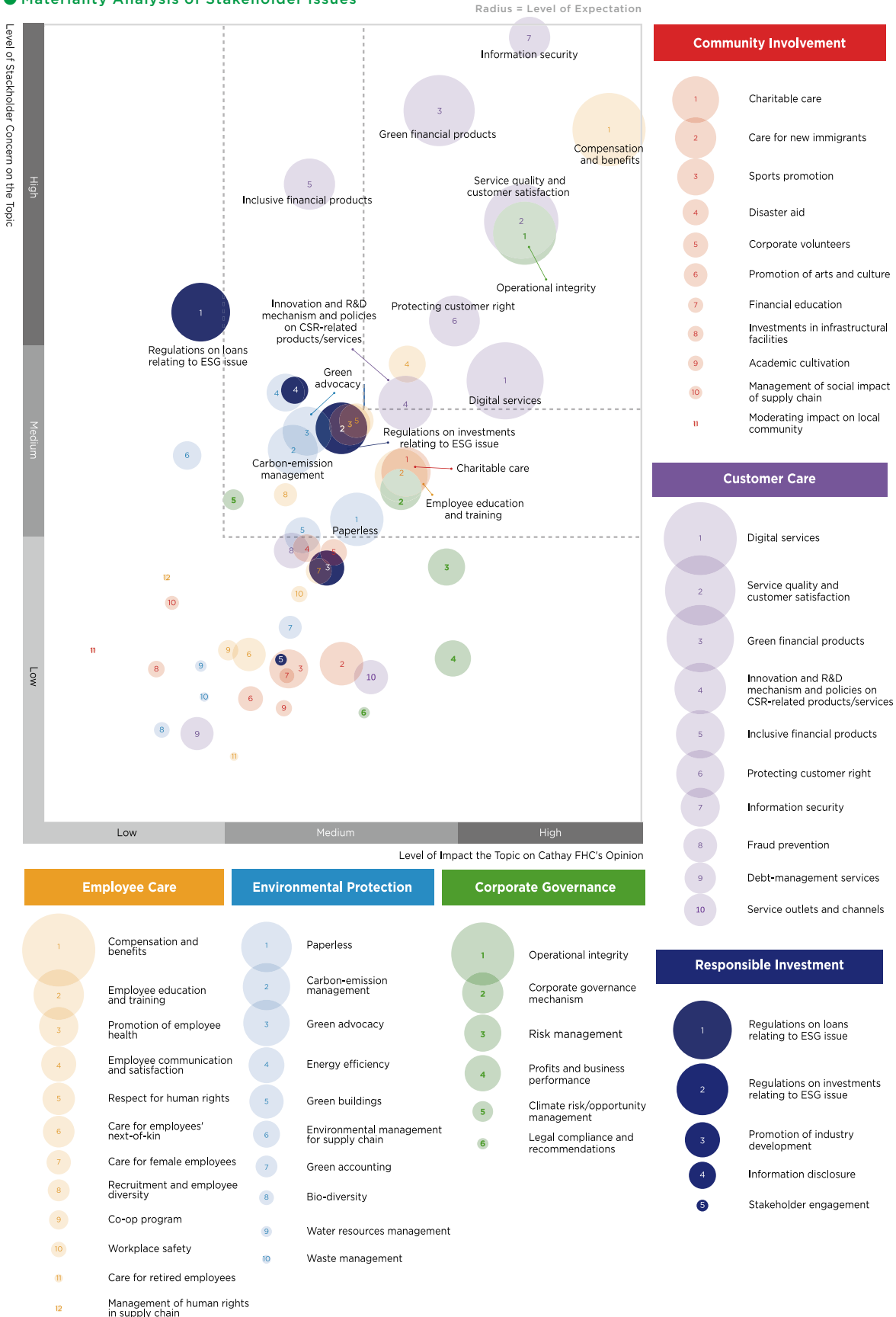
experts," and "community/NPO/NGO," instead of the usual 5.

In 2014, Cathay FHC wanted to learn whether the stakeholders were reacting differently to the 54 issues compared to 2013. For this reason, a survey

was conducted on a variety of topics including senior executives, employees, customers, scholars, government officials, Wan-Lin Tsai scholarship winners, vendors, NGOs, and social enterprises. We asked our stakeholders about their hopes, expectations, and challenges in relation to the survey topics that the company faced and how these topics have changed throughout the entire

year of 2014. The survey returned nearly 900% more valid responses compared to 2013, and an analysis has been presented in the figure below. The listed issues represent those that have exhibited changes above the average level.

● **Materiality Analysis of Stakeholder Issues**



We emphasize the importance of issues of medium-to-high impact/concern, of which the GRI G4 material aspects have been presented in the table below. These issues did not exhibit any significant changes compared

to the previous year, whereas some issues were omitted from the disclosure because there had been no significant change in terms of importance and fell into the scope of low impact/concern area.

● **GRI G4 - Identified Material Aspects and Boundaries**

Major Topics to be Dealt With	GRI G4 Material Aspects	Boundary
Compensation & benefits; Recruitment and employee diversity	Market Presence	Cathay FHC and 6 major subsidiaries +2 second-layer subsidiaries
Corporate governance mechanism; Operational integrity; Fraud prevention	Anti-corruption	
Climate risk/opportunity management; innovation and R&D mechanism and policy for CSR products/ services; Regulations on loans/investments relating to ESG issues; Green financial products; Inclusive financial products	Product portfolio	
Regulations on loans relating to ESG issues	Audit	Cathay FHC and 6 major subsidiaries +2 second-layer subsidiaries +key investees and borrowers
Regulations on investments relating to ESG issues	Active ownership; Investments	
Service quality and customer satisfaction; Protecting customer rights; Digital services	Product and service labeling; Marketing communications	Cathay FHC and 6 major subsidiaries +2 second-layer subsidiaries
Information security	Customer privacy	
Compensation and benefits; Promotion of employee health	Employment	
Employee communication and satisfaction	Labor/Management Relations	
Employee education and training	Training and education	
Recruitment and employee diversity	Diversity and equal opportunity	
Green financial products; Paperless	products and services	Cathay FHC and 6 major subsidiaries +2 second-layer subsidiaries +key investees and borrowers + major vendors
Respect for human rights	Non-discrimination; Assessment	
Energy efficiency	Energy	
Carbon-emission management	Emissions	Cathay FHC and 6 major subsidiaries +2 second-layer subsidiaries+ key investees and borrowers+ major vendors

Public Opinions and Strategic Decisions

As a corporate citizen, positivity and mutual benefits are what we view as the key to breaking through the challenges that Taiwan is currently entrapped in. Previous experiences in communicating with the external stakeholders have led Cathay to reconfirm that the key to corporate sustainability is to "incorporate social responsibilities into work activities." This is why we have gone to great lengths to align our work responsibilities with environmental and social issues, and the result of our efforts had been disclosed in the 2013 Cathay Corporate Sustainability Report.

Today, having evaluated the world's ongoing trends and constantly communicating with our stakeholders, Cathay

once again makes changes to two issues: Responsible Investment/Lending and New Strategy for Social Initiatives in addition to already highly valued issues such as Information Security, Compensation & Benefits, Service Satisfaction, Operational Integrity, Green Finance and Inclusive Financial Products. Details of the new changes will be explained in upcoming chapters. With this plan in mind, Cathay hopes to become a facilitator for the transformation of Taiwan's industries.

Cathay receives opinions from a multitude of stakeholders. The table below shows our key communication channels and responses to the eight categories of stakeholders in 2014:

Stakeholder	Communication Channels	Key Responses and Performance		
Investors	<ul style="list-style-type: none"> Quarterly corporation/investor meetings Annual shareholders meetings Roadshows Chinese/English websites Instant communication via contact persons and email Annual corporate sustainability reports 	<p>Three pillars of profitability</p> <p>By acquiring Conning Holdings Corp., Cathay is one step closer to building a profitable business model supported by three pillars: banking, insurance and asset management</p>	<p>Response to CDP</p> <p>Our 2014 CDP score had exceeded the worldwide industry average</p>	<p>Information Disclosure and Transparency Ranking</p> <p>Cathay was given the highest rating of A++ in the 2014 IDTR</p>
Government and regulatory authorities	<ul style="list-style-type: none"> Periodic inspections in cooperation with regulatory authorities Communication with regulatory authorities Correct legal compliance Regular disclosure of company information on the Market Observation Post System and company website Active involvement in government-organized evaluations Publication of annual corporate sustainability reports 	<p>ESG disclosure</p> <p>Cathay has been working with government agencies and NGOs about CSR report initiatives to improve ESG disclosures in Taiwan</p>	<p>Suggestions to Government</p> <p>Cathay shares its experience and observation on green finance and other social issues through interactions with industry associations, NGOs and relevant events</p>	<p>Corporate Governance Evaluation</p> <p>Cathay has actively participated in the first Corporate Governance Evaluation</p>
Employees	<ul style="list-style-type: none"> Annual employee satisfaction surveys Annual performance assessments and communication processes Periodic staff/manager meetings Internet platform which provides direct contact with the chairman Internal communication website and physical message boards 	<p>285 times</p> <p>Entry-level staff are paid an average monthly salary that is 2.85times the statutory minimum; Cathay FHC is listed in the "Taiwan High Compensation 100 Index"</p>	<p>TTQS</p> <p>Cathay continues to introduce TTQS into its training systems, and is the first financial institution in Taiwan to be consecutively awarded gold certification</p>	<p>AG 2.0</p> <p>With the launch of "Agency 2.0," Cathay Life was able to achieve the highest sales force retention rate among peers</p>
Customers	<ul style="list-style-type: none"> Annual complaint review meetings at Cathay Life Periodic satisfaction survey by outsourced parties 24-hour customer service hotline and email Seminars and conferences Organized the "Best Service Rep" contest Customer services APP 	<p>Digital Banking Department</p> <p>A Digital Banking Department was created and staffed with professional talents to provide the best digital banking services</p>	<p>Claims section of the website</p> <p>A claims section was created on the website, which today receives an average of 27,000 visits per month</p>	<p>Personal information management</p> <p>Cathay Life was the only life insurance company in Taiwan to receive certification for two information standards at the same time</p>
Key investees and borrowers	<ul style="list-style-type: none"> CDP Questionnaire Low-carbon investment initiatives Equator Principles 	<p>Equator Principles</p> <p>CUB was the first and only Taiwanese financial institution to sign the EPs</p>	<p>CSR report</p> <p>Cathay SITE has made CSR report one of its regularly assessed criteria during a TWSE Risk Assessment Meeting</p>	
Vendors	<ul style="list-style-type: none"> CSR clause included in the contract Environmental and social friendly product procurement Suppliers are invited to participate in environmental initiatives Creation of ShoJio - A platform for products of social enterprise 	<p>Green procurement</p> <p>Cathay FHC has won Green Purchasing Enterprise Award for five consecutive years</p>	<p>Vendor evaluation</p> <p>A vendor evaluation system has been created to reward top performers</p>	<p>ShoJio Public Web Platform</p> <p>"ShoJio" was created as a means for Cathay to expand our purchasing influence to help social enterprises</p>
CSR Experts	<ul style="list-style-type: none"> Periodic communication and conferences Questionnaire for Stakeholders Competitions, seminars, and forums Publication of annual corporate sustainability reports 	<p>Corporate Sustainability Committee</p> <p>The committee was renamed and reorganized so that it operates directly under board of directors' authority. In addition, a "responsible investment" team has been introduced as the sixth working group of this committee</p>	<p>Green finance</p> <p>All key subsidiaries of Cathay FHC have taken their positions in green finance</p>	<p>Inclusive finance</p> <p>The group's micro-insurance scheme received both "Micro-insurance Action Award" and "Micro-insurance Promotion Award" from the Taiwan Insurance Bureau</p>
Community and NPO/NGO	<ul style="list-style-type: none"> Charity, arts, cultural, and environmental protection activities Press conferences Charity donations Involvement in trade associations and organizations Conferences are held from time to time to facilitate knowledge exchange Publication of charity annual reports and corporate sustainability reports Creation of ShoJio - A platform for products of social enterprise 	<p>Charity annual reports</p> <p>The group's charity foundations all have financial statements audited by certified public accounts; furthermore, annual reports are published as a means of disclosing involvements in charity affairs</p>	<p>Environmental initiative</p> <p>Cathay has implemented environmental and energy management ISO systems into 12 of its office buildings, and held several activities to promote awareness on environmental protection, climate changes, recycling, and preservation of natural habitat</p>	<p>New strategy for social initiative</p> <p>A "Charity Influence Survey" was conducted as a means of adjusting the group's charity focus</p>



Response to Stakeholders - 1

Enhancing the Foundation of Integrity

When a company starts planning 100 or even 200 years ahead of time, it becomes clear that corporate ethics, shareholders' interests and stakeholders' interests no longer exist in conflict, but rather in complement of each other. Cathay believes integrity, transparency and responsibility are the key foundation to a sustainable business, and represent values that all companies should strive to maintain.

2015 Goals

- **To secure the top 5% ranking in TWSE's Corporate Governance Evaluation**
- **Improve the level of company CSR disclosure in relation to investments and borrowers, with a credit balance above NT\$10 billion for Cathay FHC and its subsidiaries**
- **Complete adoption of the equator principles by 2016**
- **To develop a responsible investment policy for Cathay Life Insurance by 2015**

Integrity

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Improving board functionality

In 2014, Cathay FHC had appointed 13 directors that included 3 independent directors and 2 outside directors on the board. All directors were remunerated in accordance with "Director Performance Evaluation Guidelines" and "Director Remuneration Guidelines," for which each director was required to conduct a self-assessment and have it reviewed by independent directors and approved by the Chairman. Members of the board will be elected based on a candidates nomination approach starting from 2016. In order to bring diversity into the organization, Cathay implemented a new set of "Corporate Governance Best Practice Principles" in 2014 along with policy on board diversity. Today, 45% of all companies under the group (including Cathay FHC, Cathay FHC's subsidiaries and joint venture companies) have female directors on board.

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Transparency

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Disclosure of non-financial performance

In addition to publishing Corporate Sustainability reports on a yearly basis, Cathay FHC has also taken the initiative to promote CSR reporting with different parties in 2014, while engaging public accountants to contribute to the credibility of its report. In terms of ESG disclosure, Cathay's CDP disclosure score that was above industry average and received the highest rating of A++ during the IDTR 2014. Furthermore, the group has also been supporting the movement initiated by Global Investor Coalition on Climate Change (GIC) by applying the Low Carbon Investment (LCI) Registry Taxonomy and discussing its meaning and suggesting the definition and applicability of low carbon industries.

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Accountability

Extending the scope of supply chain management

In 2012, Cathay added a CSR clause to every supplier contract, and in 2014, a "supplier scorecard" was developed and used by subsidiaries to rate the performance of their suppliers on a yearly basis. The group has also been directing its purchasing power to support social enterprises and green products, for which it has received the government's Green Procurement Award for 5 consecutive years.

Prevention against financial crime

In 2012, Cathay FHC introduced a set of "Code of Operation Integrity" along with reporting channels, and began rewarding reports of misconduct in accordance with "Employee Rewards and Discipline Guideline." In 2014, the group received no significant reports of misconduct that involved improper gains. In the meantime, an innovative learning model was introduced as part of the compliance course, increasing results of course exams by 10% compared to the previous year. Lastly, Cathay Life developed a new "Claim Alert Model" that incorporated scientific methods in identifying fraudulent claims.

Enhancing risk management mechanisms and incorporating environmental/social risk management

To ensure adequacy of long-term capital and connect with world practices, Cathay Life adopt ORSA and was the only company in Taiwan to voluntarily incorporate more stringent global insurance governance guidelines to supervise the system. Meanwhile, CUB revised its credit policy in 2014 and signed the EPs in 2015, making it the only bank in Taiwan and the 6th in Asia to have signed the principle.

Integrity

According to PwC Family Business Survey 2012, family business models are characterized by advantages such as long-term focus, stability, and close communication in decision making. Despite gloomy economic outlook in 2012, 65% of family businesses still considered themselves having experienced a growth in revenues. For Cathay FHC, we hope to maintain our advantages as a family business while eliminate any lack of transparency in our governance practices, which is why we have been actively recruiting professional managers. In 2014, a new Compliance Department was created to provide assurance for our path towards sustainability.

Active Involvement in Corporate Governance Evaluation

The Financial Supervisory Commission (FSC) announced its Corporate Governance Roadmap in 2013 followed by the launch of the first Corporate Governance Evaluation in 2014 that measured companies' performance in five main areas: shareholders' interests, fair treatment for shareholders, board and functionality, information transparency, stakeholders' interests, and CSR. In response to FSC's initiative, Cathay FHC assembled a team across departments and began a series of self-assessments since October to become one the top 5% of listed companies in Taiwan by 2015.

Improving Board Functionality

● Professionalism and attendance rate

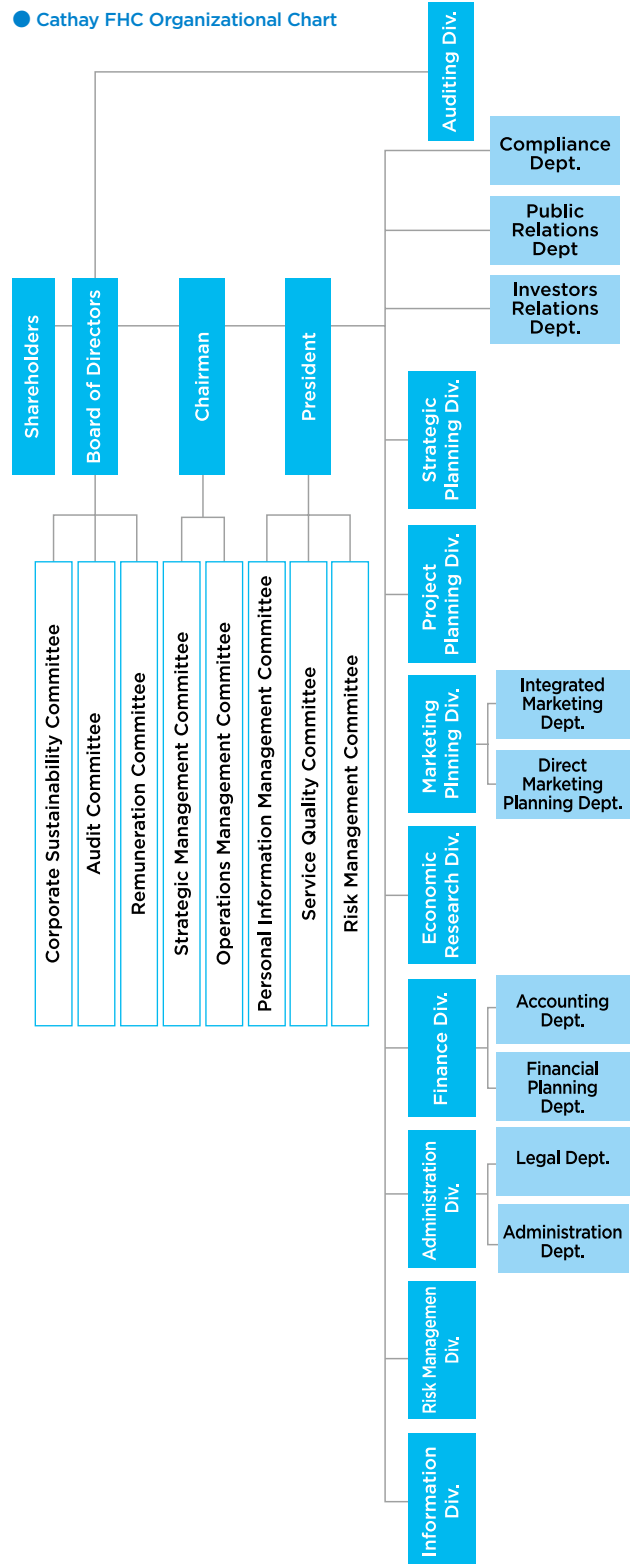
The size of the Company's board of directors remained the same as 2013, comprising of 8 directors, 3 independent directors and 2 outside directors. All members of the board are well-experienced and possess professional knowledge on various fields such as finance, commerce, and administration. Nine board meetings were held in 2014, directors averaging an attendance rate of 83%. In 2014, directors averaged 17.5 hours of on-job training per person. Furthermore, in order to protect stakeholders' interests and avoid the inconvenience of stakeholders, Cathay will adopt a candidates nomination nomination approach when selecting board members in the 2016 election.

● Board diversity

In 2015, Cathay FHC completed a reorganization that moved the Corporate Sustainability Committee under the direct authority of the board of directors. An independent director has been assigned to supervise the committee and to bring sustainability issues into board discussions.

In an attempt to implement sound corporate governance, Cathay FHC has developed its own corporate governance code of best practice principles in 2014 in reference

● Cathay FHC Organizational Chart



to "Corporate Governance Best Practice Principles for Financial Holding Companies." and "Corporate Governance and Best Practice Principles for TWSE/

GTSM Listed Companies." One of the clauses of Cathay FHC's corporate governance best practice principles was adopted to "bring greater diversity into the board of directors" in a manner that helps perform its duties. In 2014, 45% of all companies under the group (including Cathay FHC, Cathay FHC's subsidiaries and joint venture companies) had female directors on board; this figure is representative of the group's emphasis on gender equality and women's involvement in decision-making.

● Board independence

In addition to the three independent directorships created back in 2007, Cathay FHC introduced two additional outside directors in 2013 that raised the weight of neutral, objective opinions to 39%. The Company also follows the 10 criteria listed below to make disclosures in its annual reports regarding board member's independence and how they have avoided agendas that present conflicting interests.

● Executive compensation based on performance

For a good corporate governance practice, the Company has implemented a set of "Director Performance

Evaluation Guidelines" and "Director Remuneration Guidelines" to guide directors through their duties and compensate them in line with the Company's performance. Directors' performances are evaluated based on how they have supervised the Company's business activities, financial positions, internal audit/control, risk management and compliance practices, and how they have contributed to board meetings and CSR. Each year, directors are required to conduct self-evaluations and have their performances verified by independent directors before submitted to the Chairman for final approval. Board of directors' remuneration is determined based on the level of participation and contribution to the Company's operations, in reference to industry peers. Remuneration proposals are subject to review by the Remuneration Committee and approval of the board of directors. The Remuneration Committee held four meetings in 2014 to discuss the following agendas: distribution of 2013 directors' remuneration, management bonus, independent/outside/managing directors' remuneration, revision of managers' compensation, and amendments to the Company's "Manager Performance Development Guidelines" and "Manager Remuneration Guidelines."

● Cathay FHC's board of directors has satisfied the following diversity criteria:

1 Diversity in professional experience:	100% experience in a financial holding group; 69% experience in insurance; 46% experience in banking; 38% experience in securities; 15% experience in investment trust; 100% experience in any two of the above.
2 Diversity in expertise:	100% commerce background; while law / finance / accounting / mathematics / actuary / land administration / industry administration / electrical engineering each accounts for 8%.
3 Diversity in education:	31% Doctoral degree; 46% Masters degree; 23% Bachelors degree.

● 2014 Board Independence Disclosure

Condition	Independence Criteria										Name of other Taiwanese Companies currently Serves as an independent Director	
	1	2	3	4	5	6	7	8	9	10		
Name												
Hong- Tu Tsai	✓				✓	✓	✓			✓	✓	
Cheng-Ta Tsai	✓				✓	✓	✓			✓		
Cheng-Chiu Tsai	✓		✓		✓	✓	✓			✓		
Peter V. Kwok	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Chi-Wei Joong	✓		✓	✓	✓	✓	✓	✓	✓	✓		
Tsu-Pei Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓		
Tiao-Kuei Huang	✓		✓	✓	✓	✓	✓	✓	✓	✓		
Chang-Ken Lee			✓	✓	✓	✓	✓	✓	✓	✓		
Ming-Ho Hsiung			✓	✓	✓	✓	✓	✓	✓	✓		
Jeff Chang			✓	✓	✓	✓	✓	✓	✓	✓		
Min-Houng Hong	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Tsing-Yuan Hwang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Ming-Jian Kuo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3

* see descriptions to the right for items (1)-(10); place a "✓" for directors/supervisors who meet the criteria during and 2 years prior to service.

(1) Not an employee of the company or any of its affiliates.
(2) Not a director or supervisor of the company or any of its affiliates. This does not include where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares.
(3) *Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names in an aggregate amount of 1% or more than the total outstanding shares of the Company or ranked in the top-10 holdings.
(4) *Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the persons in the preceding three subparagraphs.
(5) *Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total outstanding shares of the Company or that holds shares ranked in the top-five holdings.
(6) *Not a director, supervisor, officer, or shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial or business relationship with the Company.
(7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any subsidiaries of the Company, or a spouse thereof. This does not include members from a remuneration committee who exercises his/her power based on Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counter.
(8) Not a relative within the second degree of kinship to any other director of the company.
(9) Not been a person of any conditions defined in Article 30 of the Company Act.
(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.
Note: data marked "*" is presented on the same basis as the annual report; i.e. April 14, 2015.

● Recusal of conflict of interest in 2014

Name of Director	Motion	Reason for Recusal
Chang-Ken Lee	Approval of annual performance bonuses for department/office supervisors and above (including managing directors involved in business operations) and annual special bonuses for senior vice presidents and above	This motion concerns the interests of the directors listed at left.
Jeff Chang, Ming-Jian Kuo	Discussion of removing the non-competition obligation for Board Director Jeff Chang and one other director	This motion concerns the interests of the directors listed at left.
Chang-Ken Lee	Salary adjustments for the Company's managers	This motion concerns the interests of the directors listed at left.
Peter V. Kwok	Amendment of "Group/Group Enterprise Credit and Investment Limit" for CITIC Resources Holdings Limited (regular amendment)	This motion concerns the interests of the company managed by the director listed at left.
Min-Houng Hong	Assessment of the "Group/Group Enterprise Credit and Investment Limit" of National Electric Group (regular assessment)	This motion concerns the interests of the company managed by the director listed at left.
Tsing-Yuan Hwang	Amendment to the "Group/Group Enterprise Credit and Investment Limit" of Hon Hai Group and Taiwan Glass Group (regular amendment)	This motion concerns the interests of the company managed by the director listed at left.
Ming-Jian Kuo	Assessment of "Group/Group Enterprise Credit and Investment Limit" for Long Chen Paper Co., Ltd. (regular assessment)	This motion concerns the interests of the company managed by the director listed at left.
Chang-Ken Lee	Distribution of special interim incentives in the middle of 2014 for the Company's managers	This motion concerns the interests of the directors listed at left.
Ming-Houng Hong, Tsing-Yuan Hwang, Ming-Jian Kuo, Peter V. Kwok, Ji-Wei Zhong, and Chang-Ken Lee	Regular review of the remuneration of the Company's directors and salary of directors	This motion concerns the interests of the directors listed at left.
Hong-Tu Tsai	Company's personnel changes	This motion does not directly or substantively involve the interests of the director listed at left, therefore recusal is not required. However, owing to the high standards of corporate governance, it is recommended that the director listed at left voluntarily recuse himself.
Ming-Houng Hong, Tsing-Yuan Hwang	Removal of competing business involvements restrictions between two independent directors Min-Houng Hong and Tsing-Yuan Hwang	This motion concerns the interests of the directors listed at left.

Fraud Prevention

According to 2014 Ernst & Young's Global Fraud Survey report, approximately one-fifth of companies did not establish policies to prevent bribery or corruption. In addition, less than 50% of employees received relevant training while 45% of organizations lacked proper reporting channels for misconducts.

● Report of misconducts

In 2012, Cathay FHC established the "Code of Operation Integrity" to serve as the foundation of its business integrity. The principles introduced a number of reporting channels where the board of directors, Audit Committee, or internal auditors will be informed about the dishonest conducts from employees while in the meantime maintain the secrecy of informer's identity and the reported issue. Meanwhile, internal auditors have been extended to cover all the key operations in Taiwan. All reported cases are thoroughly investigated by the Auditing Department; any established cases of misconduct will be referred to the Administration Division and disciplined according to the Company's policies. Meanwhile, the name and title of the offender and the date, details and progress of the offense will be disclosed over the Company's website. Cathay FHC also has an independent director mailbox in place to receive misconduct reports outside the Company; all received mails are handled by dedicated departments on case basis. In 2014, Cathay FHC found no significant cases of improper gains involving directors, managers, employees, or the Company's controlling shareholder.

Pursuant to "Cathay FHC's Employee Rewards and Discipline Guidelines," employees will be rewarded by discovering forgery and fraud which will lead to prevention of losses in favor of the Company or its customers. Through incentives of prosecutors, the Company is able to develop functions of anti-fraud policies effectively. Meanwhile, the new "Corporate Governance Best Practice Principles" created in 2014 also requires employees to properly report and disclose information that concerns interests of shareholders and decision makers.

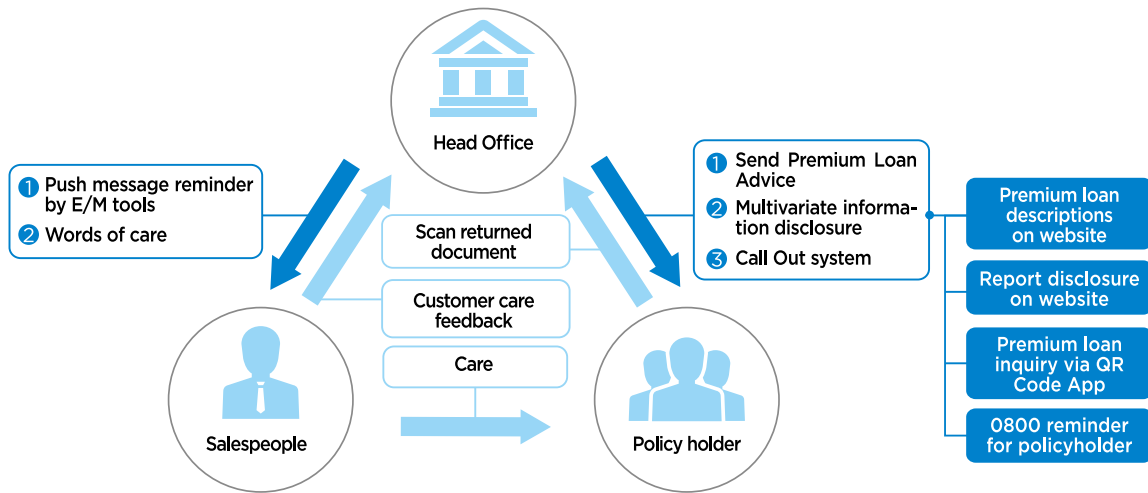
● Prevention against embezzlement

Financial services put employees in contact with large sums of money, therefore it is important to have rules in place to prevent embezzlements. Employees of CUB not only are strictly monitored at work, but financial advisors are also required to sign work notice in order to understand related work specification. To ensure instant payment in customers' premiums, Cathay Life has been offering customers with auto premium transfer options, monitoring and training employees on premium collection, disclosing the policy information and implementing premium loans cases. Whenever premium loan is taken, Cathay Life will issue a "Premium Loan Advice" and have active care from service personnel to ensure that the customers understand the new contract status. Cathay SITE also sets higher self discipline standards beyond the law requirement, such as: prohibiting fund managers from purchasing public listed shares and securities of equity characteristics in their own accounts; requiring

more frequent disclosures on accounts held by spouse and underage children; checking account activities on a collective basis; and recruiting more employees to

conduct internal audits and checks.

● **Cathay Life Premium Payment Processing System**



Compliance and Prevention against Financial Crimes

Integrity has been the core value for Cathay . In 2012, Cathay Life made compliance assessment results as part of managers’ annual performance appraisal; whilst we introduced an innovative learning model into compliance courses in 2014, where employees were able to use mobile devices to learn, interact, share, and feedback on some of the common violation cases. This learning method improved average result by 10% compared to 2013. Cathay FHC and its subsidiaries differentiate between customers’ investment profiles and products with variety of risk attributes. Transaction controls are being applied on elder customers and high-risk customers, whereas employees are regularly trained on the latest regulations. In 2014, 98.75% of Cathay Life’s employees and 100% of employees under CUB had completed their anti-money laundering training.

Cathay Life Diverse Regulatory Compliance Education

- Compliance training in morning meetings
- Legal encyclopedia
- Complaint case studies
- Financial Consumer Protection Act
- Notes on anti-money laundering and counter terrorist financing for insurance companies
- FFC foundation course for new recruits (insurance laws)
- PFC reminder course for new recruits (compliance)
- Courses for section chiefs/managers (compliance, internal control and audit)

Compliance exams (1-2 times a year)

With regard to the prevention of financial crimes, CUB assisted the Investigation Bureau to seize 10 suspicious money-laundering cases in 2014. In addition, due to initiatives taken to care for customers, branch staff had been able to stop 8 financial scams with a total of \$5.159 million before damages were done.

To more efficiently analyze and achieve the early warning employees of abnormal claims, in 2014 Cathay Life became the first in its industry to develop a "Claim Alert

Model." The model features the use of scientific methods and fraud indicators to identify scams before money is paid, searches for previous undiscovered fraud indicators, and reduces the risk of claims through innovative management methodology. By building this mechanism, Cathay Life aims to adequately reduce the amount of time spent on analyzing non-fraudulent cases, so that more resources can be devoted to investigating suspicious cases, improving service quality, and preventing fraudulent claims.

Internal Control Enhancements

● **Overseas branch management policy**

To cater characteristics of business development and management needs for overseas branches, CUB has devised its "Overseas Branch Management Policy" in 2014 that serves as guidance to various operations that span risk management, accounting, recruitment and performance appraisal for the purpose of minimizing the risks associated with overseas branch operations.

● **Master key policies and regulation changes to develop responsive measures**

Cathay Financial Holdings has amended its internal control and internal audit policies to align with changes in key local and foreign policies, and thereby reduced corporate governance risks as a financial holding company.

● Internal Control Amendments Made in 2014 in Response to Major Policy Changes

Policy Changes	Response Measures
<p>1 Pursuant to FSC's instructions dated February 19, 2014, financial holding company that used fair value method in investing properties are required to provide special reserves for any fair value gains. This lead to an increase in retained earnings, starting from January 1, 2014. This special reserve can be reversed proportionally when the investment property falls in value or is disposed on a later date, thus ensuring soundness and stable financial structure.</p>	<p>The Company has amended its accounting policy on investment properties to conform with the latest requirements.</p>
<p>2 On June 4, 2014, an amendment was made to "Article 43 of the Financial Holding Company Act" by narrowing down the customer information to names and addresses only, when shared between subsidiaries of a financial holding company for joint marketing purposes. Any shared collection, processing and use of customers' information other than those mentioned above are subject to the "Personal Information Protection Act."</p>	<p>The Company has raised queries to authority through association that relates to applicability of this regulation. Once these queries have been clarified, the Company will cooperate with internal norms to form new "Guidelines for Cross Marketing among Subsidiaries of Financial Holding Company" which amended on January 9, 2015.</p>
<p>3 On August 8, 2014, FSC amended "Rules Implementation of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in order to raise legal awareness, to enhance the role of the compliance officer in conducting professional training and its role function, and to escalate anti-money laundering and counter the effort of funding terrorism among financial holding companies and banks.</p>	<p>The Company and its banking subsidiary have updated internal policies and reorganized to conform with legal requirements.</p>
<p>4 The United States have announced the "Dodd-Frank Act" and "Foreign Account Tax Compliance Act" (FATCA) successively in recent years to regulate banks and financial enterprises that have branches or investments in the United States.</p>	<p>The Company has assembled a task force that specializes in devising responsive measures and ensures compliance in aforementioned laws.</p>

Transparency

Information inequality is the beginning of distrust. However, how to shape an open and transparent atmosphere without anxiety or doubts is something that we should all work on.

Disclosure of Financial Information and Corporate Strategies

Profit stability is an essential element towards sustainable business. Apart from publishing annual reports, Cathay FHC also provide information such as investor seminar presentations and financial statements that can be downloaded from the investor relations section of the company's web site.

In terms of business performance, 2014 was characterized by the scaleback of QE measures, signaling the recovery of the U.S. economy, and strong economic performance in various parts of the world that contributed to a consolidated after-tax earnings of NT\$49.784 billion for Cathay Financial Holdings, delivering record-high performance for yet another year. In the meantime, two of Cathay Group's main subsidiaries: Cathay Life and CUB had also achieved all-time best earnings in 2014.

Moreover, as part of the group's development vision of

becoming "the leading financial institution in Asia Pacific," Cathay has been growing its presence throughout China and Asia Pacific by engaging in mergers, acquisitions, and by establishing overseas branches. Through our overseas presence, we hope to create a regional network of trade, financing, and cash management services.

Regarding to the operations in China, Cathay FHC will continue to have more branches and sub-branches while involving existing units to be turned into bank subsidiaries. Combined with the established life insurance, property and casualty insurance and the asset management entities, Cathay FHC will seek to make a coordinated effort and expand in China.

With our investment in RCBC (Philippines) and Mayapada (Indonesia) and establishment of Vientiane Branch (Laos) and Myanmar Representative Office, Cathay Group's Southeast Asian banking network is starting to take shape, and we will continue to monitor closely opportunities to venture into other markets.

With the acquisition of Conning Holdings Corp. (USA) towards the end of 2014, Cathay FHC has the potential to build a comprehensive asset management platform that spans across America, Europe and Asia in the future.

● Operations in China and Southeast Asia



- Cathay Life (China)
- Cathay Century (China)
- ▲ Cathay United Bank
- ◆ Cathay Coneing Assit Management
- ◆ CDBS Cathay Asset Management Company

- Cathay United Bank
- Cathay Life
- ▲ Cathay Century

● Financial Performance of Cathay FHC

Fiscal Year	2012	2013	2014
Total assets (NT\$, in millions)	5,510,952.9	6,177,272.7	6,945,001.8
Total shareholders' equity (NT\$, in millions)	248,149.2	379,510.2	438,321.0
After-tax earnings (NT\$, in millions)	16,171.9	38,020.4	49,784.6
After-tax EPS (NT\$)	1.34	3.12	3.94
Return on equity (%)	6.92	10.82	12.17
Revenue per employee (NT\$, in thousands)	8,440	8,814	9,146
Profit per employee (NT\$, in thousands)	362	855	1,118
Return on assets (%)	0.52	0.84	0.96
Number of shares (in millions)	10,865	11,965	12,563
Cash dividends per share (NT\$)	0.7	1.5	2.0
Dividends per share (NT\$)	0.7	0.5	0.0
Book value per share (NT\$)	22.49	31.37	34.44

● 2014 Business Performance of Cathay FHC and Subsidiaries

Company	Business Performance	Primary Products and Services
Cathay Life	A consolidated after-tax profit of NT\$31.85 billion has placed the subsidiary ahead of peers. Return on investment continued to increase while the cost of currency hedging kept under control.	Life insurance, accident insurance, health insurance, annuities, and investment-linked insurance.
CUB	Wholesale and retail banking portfolios continued to grow while maintaining sound asset quality, which contributed to a consolidated after-tax profit of NT\$17.85 billion.	Wealth management, consumer banking, corporate finance, international finance, e-banking, trust services, investments, and sales of financial products.
Cathay Century	Secured as the second largest non-life insurance company in the Taiwan market in terms of premium income.	Car insurance, fire insurance, marine insurance, engineering insurance, and other insurance.
Cathay SITE	With Assets Under Management (AUM) totaling NT\$428.85 billion, the subsidiary is considered as the largest securities investment trust company in Taiwan.	Securities investment trusts, discretionary investments, securities investment consulting, and futures trusts.
Cathay Securities	Both after-tax profit and earnings per share reached new heights in 2014 as there is stable growth in all service categories.	Securities underwriting, proprietary/consigned trading of local and foreign securities, margin trading, securities-backed lending, share administration, wealth management, and futures trading auxiliary activities.
Cathay Venture	Mainly focus on companies founded within the Great China Region that are currently in their expansion phases.	The subsidiary is a venture capital company that invests and assists non-listed companies by realizing their potentials to create investment benefits.

* For more information on financial statements, please refer to the Cathay FHC Shareholder Annual Report 2014 in Appendix 1 (p44-63) <http://www.corpasia.net/taiwan/2882/irwebsite/annualreports.php>

Disclosure of Non-financial Performance

According to the "2014 Philanthropy Observation Report" published by the Association of Philanthropic Accountability (APA), Taiwanese non-profit organizations still have much room to improve in terms of information transparency. Meanwhile, the public tends to develop its trust towards non-profit organizations based on how transparently information is disclosed. Cathay has been disclosing acts of charity for many years. Since the establishment of Cathay Charity Foundation and Cathay United Bank Culture and Charity Foundation, their annual financial statements were certified by public accountants and their charity efforts were published through annual reports as means to communicate with public. Cathay Charity Foundation has even rated as excellence for "Charity Organization Assessment" under the Department of Health and Welfare for four consecutive years.

Cathay FHC's first CSR report was published in 2012, and included all main subsidiaries in its very first issue with the goal of aligning disclosure scope with financial report and became the first financial company to adopt GRI Financial Services Sector Supplement. Cathay also was the pioneer to adopt GRI G4 guidelines and focused on reporting

the "material issues" in 2013. By incorporating the theme of risks and opportunities, Cathay FHC's Corporate Sustainability report was highly recognized in Taiwan.

Cathay has also been responding actively to investors' requests on ESG information. The group undertook a series of improvements with regards to CDP disclosures; by 2013, we received the highest CDP score among all Taiwanese financial institutions, and by 2014, we maintained CDP score at a level above industry average. Cathay also initiated a plan in 2013 to improve the ranking of IDTR; by 2014, the Company received the highest rating of A++ from this evaluation, showing Cathay's commitment to transparently disclose company information.

Balanced Reporting: Response to Penalties

To closely monitor the risks encountered by subsidiaries, Cathay FHC has assigned its Internal Audit Dept. to document all penalties imposed by the authority to enhance the internal audit and control system. In 2014, the group was penalized by the authority on four occasions; all of which were involving fine of NT\$600,000 or above and have been corrected to date.

● 2014 Penalties and Corrective Actions for Cases Involving Fine of NT\$600,000 or above

Description of Deficiency	Status of the Improvement
<p>1 In a general business inspection report conducted by the FSC in 2013, Cathay Life was found to have violated the Insurance Act. The findings were as follows:</p> <ul style="list-style-type: none"> (1) Interests on loans granted against customers' insurance policies were not accounted properly. The amount of interests accrued was not posted correctly into Interest Receivables; general ledger accounts were not reconciled with the sum of sub-ledger accounts at the end of each month; and impairment assessments were not performed thoroughly on Other Receivables. These flaws had the potential to cause significant differences in financial reports and affect the accuracy of financial reporting. (2) Some of the bare lands were not accounted: Real estate properties were found to be partially self-occupied and partially leased; the subsidiary did not account for investment properties based on the actual area used. There were cases where real estate properties were converted to different categories, but the subsidiary did not have detailed procedures to ensure the legitimacy and appropriateness of such changes. Furthermore, the change of accounting category should be approved by the board of directors. (3) The subsidiary was found to have engaged in a finite reinsurance arrangement without seeking prior approval from the authority. A fine of NT\$2.1 million was imposed for the above violations. 	<p>Improvements made by Cathay Life.</p> <ul style="list-style-type: none"> (1) Adjustments were made in 2013 financial report and disclosure notes. In addition, the subsidiary has revised its internal control policy to address the findings. (2) The subsidiary has established standardized procedures to change accounting categories that involve real estate properties. (3) A termination proof for the reinsurance arrangement was sent to the authority, and adjustments were made based on the capital adequacy ratio.
<p>2 A former employee of CUB was found to have downloaded customers' personal information onto a private storage device, which indicated lack of internal control over the use of customers' information and constituted a violation against Article 45-1, Paragraph 1 of the Banking Act, for which the subsidiary was fined NT\$3 million under Article 129, Subparagraph 7 of the act.</p>	<p>CUB has rectified the flaw by implementing relevant controls over the use of public folders, such as the need to prompt for verification when a file is copied out of its location. Furthermore, the subsidiary has engaged an external consultant to review and evaluate the changes made from political, operational, and technical point of view.</p>
<p>3 CUB was found to have lacked the implementation or execution of proper internal control with regards to financial products marketing which constituted a violation against Article 45-1, Paragraph 1 of the Banking Act, for which the subsidiary was fined NT\$4 million under Article 129, Subparagraph 7 of the act.</p>	<p>CUB has rectified the flaw and enhanced risk management by increasing new policies amendment including: "Financial Product Planning and Evaluation Policy," "Treasury Control Guidelines," "Derivative and Customer Protection Guidelines," and "Treasury Limit Application Guidelines."</p>
<p>4 In a general business inspection report conducted by FSC in 2013, Cathay Century was found to have violated the Insurance Act. The findings were as follows:</p> <ul style="list-style-type: none"> (1) There were cases where residential fire insurance was underwritten using different building grades (and hence different premium rates) under the same building. (2) Sales people were found to have signed insurance applications on behalf of applicants. (3) Claims against vehicle insurance were not processed properly; there were cases where deductibles were wrongly applied, which caused the subsidiary to pay a higher percentage of the damage. (4) Claims against compulsory automobile liability insurance were not processed properly; there were cases where proof of payment was not obtained from customers, and cases where benefit payments were not calculated according to policy. A fine of NT\$1.92 million was imposed for the above violations. 	<p>Improvements made by Cathay Century.</p> <ul style="list-style-type: none"> (1) The subsidiary has revised its premium rates and submitted the change in accordance with "Insurance Product Pre-sale Procedure Guidelines;" meanwhile completed in building related system. (2) The subsidiary has completely prohibited its sales people from signing as customers' agents. (3) Amendments were made to the "Vehicle Manual Insurance Claims" to outline the applicable deductibles. (4) The erroneous claims have been reversed; claim handlers are being subjected to more rigorous education training.

Accountability

There has been a drastic change on how society perceives a company's responsibilities should be for over the last 20 years. Companies used to be held responsible only for the "environmental and human rights issues that pertain to their activities and occupied premises;" but today, that responsibility has expanded to include "environmental and social impacts associated with the entire product and service life cycle." In order to realize the essence of accountability, Cathay must commit to observing emerging issues and take part in building robust markets.

Enhancing Risk Management Mechanism and Incorporating Environmental/Social Risks Management

● ORSA and global insurance governance

To evaluate the appropriateness of existing risk management and solvency, and whether they can subsist continuously in the long run, Cathay Life has adopted the "Own Risk and Solvency Assessment" (ORSA) to execute risk management practices led by board of directors. By integrating with the economic capital model, ORSA provides a comprehensive view in assessing risks and the company's risk appetite so business strategies can be weighed against risk management and capital management concerns to ensure long-term capital adequacy. Meanwhile, Cathay has also been connecting internationally and is the only Taiwanese institution voluntarily involving in more stringent global insurance supervision guidelines, including "ComFrame" and "Global Insurance Capital Standards". Under these guidelines, Cathay is required to evaluate its internal control, risk management and solvency and assess whether these aspects are consistent with international standards, therefore strengthening our risk management.

Risk management policy and ORSA policy

Cathay Life currently has a risk management policy and an ORSA policy, which are approved by the board of directors that aims to develop ORSA in effort to ensure the adequacy of risk management and solvency now and in the future. The ORSA policy is reviewed on an annual basis. If there are any significant changes to the subsidiary's risk profile, an additional ORSA will be triggered and reported to the Risk Management Committee and the board of directors.

Annual business goals and plans

Cathay Life adopts "value-oriented" long-term strategy that focuses on adjusting product structure as a means to optimize risk profile and reduce the debt capital costs. In terms of asset allocation, the subsidiary aims to achieve highest return on investment under manageable risks. This guideline, combined with the risk appetite, provides the boundary in which Cathay Life's short-term goals are established and implemented and executed.

Risk appetite

The Cathay Life's first measure is intended to comply with the financial supervision of the competent authority to provide a more accurate representation of the company's risk and capital position, whereas the second measure is determined based on economic capital for more realistic representation of risks.

Risk profile

The subsidiary's overall risk profile is assessed regularly by taking into account multiple risk exposures such as insurance risk, market risk, credit risk, operational risk, liquidity risk, and asset-liability matching risk. Assessment results are reported to the Risk Management Committee and board of directors for company to have comprehensive grasp of risk appearance.

Capital requirements and capital plans

Cathay Life assesses its capital position regularly to ensure compliance with laws and internal standards. Its capital requirements are determined by stress-testing assets and liabilities while taking into consideration the subsidiary's future solvency. In addition, the subsidiary predicts future financial position based on its medium and long-term strategies, and hence determines its ability to meet future capital requirements.

Risk response

Apart from setting a risk appetite for the main types of risks, the subsidiary has also implemented risk management guidelines that cover from daily procedures to management responsibilities. This guideline forms the basis of the subsidiary's risk identification, measurement, response and monitoring system.

● Adoption of the Equator Principles

Financial investment, discipline guideline for lending, and risk exposure gained public attention in recent years. Cathay FHC changed its CSR Committee to the Corporate Sustainability (CS) Committee in 2014, and introduced a new "Responsible Investment" working group to follow the latest global trends and have impact to the society by acting financial institution's role. To have effective control over the lending business, Cathay United Bank (CUB) revised its "Credit Policy" in August 2014 and, following a series of discussions, assessments, and exchange of opinions, we decided to adopt the voluntary guidelines of banking industry, the "Equator Principles" (EPs). In March 2015, the board of directors had the resolution to become a signatory of the EPs, and announced the decision in the Analyst Meeting to show Cathay's strong commitment. CUB is dedicated to integrating corporate responsibility into business strategy through the establishment of an environmental and social risk evaluation system, while most Taiwanese financial institutions simply follow the spirit of the EPs. CUB has become Taiwan's first and only bank that adopts the EPs, making CUB the world's 80th and Asia's 6th signatory of the EPs.

Being the signatory of the Equator Principles serves more than just a declaration. Instead, it signifies the beginning of our long-lasting learning journey. In the future, credit decisions will involve greater complexities. Instead of simply determining whether the company can borrow money, CUB needs to manage the environmental and social risks in the approval process of large project financing by grading project risks, enforcing due diligence, signing contracts, and monitoring borrowers' performances consistently after lending. CUB has committed itself to becoming the pioneer in bringing world's best practices into Taiwan. We believe that this milestone of CUB is an important step in changing the local financial environment, and we look forward to working together with the industry and the people to transform our society.

Building the Foundation of Responsible

Investment and Facilitating Information Disclosure

Only 8-10% of Taiwan's listed companies publish CSR reports, a pity considering that we are arguably amongst the best in Asia in terms of CSR report quality. As we have further reviews the companies with above 10 billion of credit balance or bond investment from Cathay FHC and its subsidiaries, we realize that 80% of them are subjects of the UK's CDP in 2014, and that a majority of them who have not replied or demonstrate unsatisfactory performance have never published a CSR report. Therefore, besides continuing to sponsor CDP's activities in Taiwan for 2014, Cathay FHC has also begun to promote CSR report publishing.

In September 2014, TWSE imposed a new rule that requires all food industry, financial industry, chemical industry, and companies with over NT\$10 billion paid-in capital must compile a CSR report starting in 2015. By the end of 2015, approximately 200 publicly-listed companies would have prepared CSR reports, and about half of them will be doing it for the first time. Starting in October 2014, Cathay has been actively participating in various conferences organized by TWSE, TPEX and BCSD, during which Cathay shared its reporting experience. We have also approached financial institution peers, food producers, and construction companies to exchange our knowledge and experience in CSR reporting, thereby improving the level of ESG disclosure within Taiwan.

Furthermore, senior executives of Cathay FHC made suggestions during the ESG and responsible investment seminar held in December 2014 that the authority should make it mandatory for companies in the top 100 in terms of revenue and market capitalization to publish CSR reports, in addition to the those with paid-in capital exceeding NT\$10 billion. Also, Cathay SITE devotes to promote responsible investment in Taiwan's capital market by encouraging companies disclose their ESG information. In TWSE Risk Assessment Meeting of September 2014, Cathay SITE added CSR report publishing as a regularly risk assessment criteria when assessing risks on the companies they invested in.

Participating in International Financial

- Participating the sustainability report conference organized by TWSE and TPEX



Sustainability Initiatives

Although Taiwanese banks have devoted increasing efforts in CSR over the last 5 years, there has been very little collaboration among them towards global sustainability initiatives, which shows that the issue remains difficult for public and financial sector to understand. This is what inspired Cathay to step up its involvement in global sustainability initiatives, such as signing the CDP ahead of its peers in 2012 and creating a platform to bring international trends into Taiwan's financial sector.

In August 2014, Cathay FHC signed "Putting a Price on Carbon Statement" initiated by World Bank and joined 300 companies across 40 countries to support carbon pricing to bring down emissions and drive investment into cleaner options. Meanwhile, in September, Cathay FHC signed the "2014 Investor Statements on Climate Change" initiated by the Global Investor Coalition on Climate Change (GICC), applied the Low Carbon Investment (LCI) Registry Taxonomy, and jointly collaborating with almost 350 institutional investors around the world to express our support at the 2014 UN Climate Summit as well as the UN's 21st session of the Conference of the Parties (COP 21) that will be held in 2015.

National Development and Industry Support

For decades, Cathay has assisted in the growth of Taiwan's economy and contributed to the development of the local society. The Cathay Economic Research Division began a collaborative project with National Taiwan University since 2009 to provide GDP growth forecast for government agencies and industry participants. Starting since March 2010, the group has been conducting monthly surveys on public's confidence towards the economic outlook and publishing an confidence index that reflect the current financial sentiment from Taiwanese. This index has now become a highly reliable measurement to consumers' and investors' confidence in Taiwan.

Meanwhile, Cathay continually grants the lending to small and medium enterprises (SME), and the industries of environmental protection, culture & creativity. Compared to the previous year, the group had granted a larger sum of loans to SMEs but reduced investments in environmental-related industries. CUB has a wholesale banking division that specializes in helping SMEs gain access to working capital. To expand this service further, the Bank has mobilized 165 branches nationwide to the promotion of SME lending. By 2014, the Bank's SME portfolio had loan balances totaling \$116.45 billion, which represented a growth of 8.28% year-on-year. On the other hand, as the result of reclassification and adjustment, the amount invested by Cathay Life in environmental protection businesses had decreased compared to last year.

In addition, Cathay fulfills its tax duties in accordance with tax laws, and discloses tax information by following financial reporting standards. Changes in tax laws are being monitored closely to avoid tax related risks.

● Investment Projects of Cathay FHC and Subsidiaries

Subsidiaries	Item	Amount Invested
CUB	Loans to small and medium enterprises	Loan balance: NT\$116.45 billion
	Loans to organizations/ businesses in industries related to environmental-protection (including solar energy)	Loan balance: NT\$38.76 billion
Cathay Life	Loans to organizations/ businesses in the cultural and creative industry	Loan balance: NT\$21.86 billion
	Investment in public infrastructure and social welfare industries	Investment am: NT\$21.6 billion
Cathay SITE	Loans to organizations/ businesses in industries related to environmental-protection	Investment am: NT\$65.44 billion
	Cathay Global Ecology Fund	Investment am: NT\$0.28 billion

Note: "Environmental Protection Industries" include LED manufacturing; power generation, transmission and distribution machinery manufacturing; pollution controlling equipment manufacturing; water treatment; offshore power supply (excluding the coal industry and thermal power industry); alternative energy automobiles; bicycles and components manufacturing; energy-saving appliance manufacturing; and green architecture.

Extending the Scope of Supply Chain Management

There had been no significant change of suppliers compared to 2013, as insurance brokers, insurance agents, construction contractors, building management, landlord and IT service providers still made up the majority of the supply chain, and comprised primarily of local suppliers. Meanwhile, Cathay added a CSR clause to the supplier contract in 2012, which explicitly demanded all suppliers of contract labor, goods, commercial services, and equipment and all public sponsorship and donation activities to comply with regulations regarding employment, workers' health and safety, environmental protection, and human rights. Subsidiaries are required to assess the quality of their suppliers on a yearly basis, and reward top performers while eliminate suppliers that do not perform up to standard. 2014 assessment showed that 70% of suppliers were satisfactory, while the other 30% were placed on the watchlist or replaced entirely. This assessment serves to maintain quality in products and services offered by the Company, and has the benefit of keeping operational costs under control.

● **Green procurement**

Cathay FHC has devoted extensive efforts into green procurement; over the last few years, the amount purchased in "green products" has increased from \$62.74 million in 2010 to \$137 million in 2011, \$150 million in 2012, and \$360 million in 2013, ranking first among financial peers. The amount of green purchases had reduced slightly in 2014 to \$270 million as many of the obsolete equipment had already been replaced; nevertheless, Cathay FHC still ranked first among financial industry and was given an award of excellence for the 5th consecutive year in September 2014. In the future, we will implement a formal policy to further support its green procurement efforts.

● **Supporting social enterprises product**

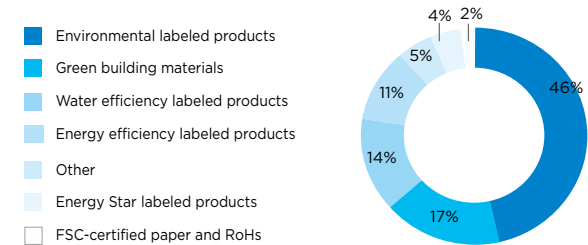
CUB values the presence of social enterprises. In 2014,

it continued to make purchases from "Buy NearBy" and "LEHO" for festive occasions. A total of \$3.964 million were spent on goods supplied by social enterprises in 2014.

● **Association with suppliers**

In July and August 2014, Cathay FHC invited its

● **Diagram for Green-purchase Projects by Cathay FHC**



advertising agency, financial media partners, Chinese media, and Linyuan Volunteers to a hiking event in the 9-10 Taichung and Yilan, during which they cleaned up along mountain trails as a gesture to preserve the environment. The two events received a total of 280 participants.

● **Insurance brokers and agencies**

Insurance brokers and agencies are key suppliers to

● **Cathay FHC invited suppliers and the media to a "mountain cleansing" tour.**



Cathay. To ensure consistent service standards among distribution partners, Cathay Life employs the strategy to work with insurance brokers/agencies that have the support of financial institutions such as banks or securities firms, for they have the proper corporate governance, audit, internal audit process, credibility and after-sale service practices in place. Cathay Life has a set of "Performance Appraisal and Remuneration Guidelines for Insurance Sales Force, Brokers and Agencies" in place to ensure the quality of its distribution channel. The guideline requires all distributors to check new insurance contracts for signs of mis-selling on a regular basis. Should any distributor fail to maintain proper sales conduct for two consecutive years, the company may consider imposing necessary measures against such distributor or discontinue distributorship altogether. Also, the company constantly engages distributors and explores ways to optimize service procedures for policyholders.



Response to Stakeholders - 2

Business Model Transformation

In our pursuit of sustainability, we constantly strive to change our business model for the benefit of customers, the environment, and society. In terms of personnel management, we have focused on recruiting top-quality and highly trained professionals while encouraging employees to come up with new profit models in a creative workplace. By exploring new market opportunities and developing products that conform with environmental and public interests, we strive to become the force that stabilizes society.

2015 Goals

Build up a talent bank of senior, mid-level, and entry-level managers

Continuously promote product innovation and strengthen added value

Promote local and overseas green financial solutions; monitor new market trend continuously and explore new regions where green financial services are viable

Underwrite NT\$4.5 million of microinsurance coverage

Collaborate with universities such as NTU and NCCU to strengthen brand awareness amongst students and to inject a youthful image

Addressing Future Talent Requirements

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Talent recruitment, diversity and retention

Cathay collaborates with nearly 40 tertiary institutions and pays close attention to the market salary to recruit industry's top talent. In 2014, Cathay FHC was chosen as a component of "Taiwan Top Salary 100 Index," whereas Cathay Life's "Business Team Upgrade Project AG 2.0" had significantly boosted the performance of new recruits, entry-level and mid-level employees, while CUB won "Best Employee Engagement" award from The Asian Banker. In terms of diversity, women currently account for 73% of Cathay's total employee size and 54% of managerial female staff, while persons with disabilities represent 1.56%. Employees from indigenous background are granted "Indigenous holiday leave" as a means of creating multicultural open workplace.

Professional training for international and financial talent

As part of the organization's initiative to expand into Asia, Cathay launched its "GMA Project" and "Conning Talent Exchange Project" for the very first time in 2014, whereas both its life insurance and banking subsidiaries have been actively building reserve talents by providing training and international seminars to increase their international mobility. In 2014, Cathay spent NT\$856 million on employee development, giving each employee an average 307 hours of training during the year. Cathay Life was consecutively awarded TTQS Gold Standard certification, and ranked top among peers in terms of AFP/CFP certification holders.

Response to Needs of Customers, the Environment and Society

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Customer service quality and complaint/claims handling

A group Service Quality Committee was founded back in 2012 along with service quality teams in every Cathay subsidiary, which were able to incorporate ISO9001 to achieve a spirit of service that constantly strives to satisfy every need of our customers. Cathay Life also made several improvements in its claims services in 2014, including the creation of a "Claims" web page that provides 24-hour on-line assistance, offering policyholders "Direct Medical Benefits," and the introduction of "cross-strait claims" services options. Meanwhile, CUB has been holding "Retail Banking Complaint Review Meetings" to monitor major claim cases.

Digital banking innovations and information security management

In addition to taking the initiative to promote Financial App service, Cathay Life in mobile term accounted for 89% of new contracts in 2014, far ahead of our competitors. CUB had also created a Digital Banking Department in 2014 to plan digital financial markets professionally. With regards to information security, in 2014, Cathay Life attained BS 10012 certification and passed the revised "ISO 27001: 2013 - Information Security," making it the only life insurance company to be certified for both standards in Taiwan. CUB, on the other hand, has a "Personal Data Violation Response Policy" in place, and is constantly adjusted and optimized to ensure proper response to emergencies.

Products driven by environmental and social issues

All main subsidiaries of Cathay FHC have taken their part in Green Finance in 2014: Cathay Life joined AU Optronics and other life insurance companies in the founding of Star River Energy Corporation. CUB continued to devote attention in financing solar power equipment, gaining a top ranking among Taiwanese banks in 2014 market share. Cathay Century introduced new green vehicle insurance in 2013 and bicycle insurance solutions in 2014. Cathay SITE and Cathay Venture have devoted interest into ecology funds and green businesses, whereas Cathay Securities has been assisting environmental and green energy-related companies with IPOs and securities issuance in the capital market. In terms of vulnerable groups, Cathay Life is the only financial institution to have both "Microinsurance Action Award" and "Microinsurance Promotion Award" recognition from Taiwan Insurance Bureau in 2014, whilst CUB provides disability trust, public trust, barrier-free voice ATM and Vietnam province transfer project to increase the convenience of different ethnic groups in using financial services.

Addressing Future Talent Requirements

According to "Global Talent 2021" published by Oxford Economics, emerging Asia Pacific countries need future talent the most. However, during the investigation of 46 countries, Taiwan has the highest talent shortage. This shortage reflects two challenging realities in Taiwan: brain drain becoming public concern and lack of international mobility despite their good qualities. Given the fact that talent is key to Cathay's success in Asia, we have launched a series of recruitment and retention programs to ensure the "quality" of talents at our disposal, while in the meantime engaged universities in collaborative projects to assure us "quality" talents that can perform to our globalization requirements.

Attracting Talents: Diversified Employee Base and Reasonable Compensation

According to the results of CommonWealth Magazine's 2014 Employment Grand Survey, low salary is the critical factor that causes brain drain in Taiwan. As at the end of 2014, Cathay had a total employee size of 41,315 and maintained average salary at 134% which above the industry average (Note 1). Having been selected a component of "Taiwan Employment Creation 99 Index" is a testament to show how TWSE has valued Cathay's efforts in creating jobs and nurturing talent. Furthermore, we have devoted great efforts to ensuring equal employment opportunities for personnel of all backgrounds. Employees' remuneration is determined based on their capabilities, responsibilities, academic backgrounds, work performance, and skill sets without discrimination on gender, age or race. All new recruits are offered basic salaries that are superior than the statutory minimum; in 2014, entry-level back-end employees were paid an average of 2.85 times the statutory minimum monthly salary (Note 2). Cathay also provides employees with a comprehensive welfare package; in 2014, entry-level employees (Note 3) were paid NT\$36.778 billion in welfare, which averaged more than NT\$1 million per employee. In 2014, women accounted for 73% of the employee, and represented 54% of managerial roles. Furthermore, the Company hired disabled people in excess of the statutory requirement. In 2014, employees with disabilities represented 1.56% of total employees. Lastly, we continue to work with Chinese Promote Massage of Blind Association and hired 17 blind masseurs and masseuses. As part of the Company's goal in building a multi-cultural open workplace, Cathay welcomes people of aboriginal backgrounds to join its team, and encourages them to take "festive leave of absence" by producing proper identity proofs.

Note 1: "Industry average" was based on statistics prepared by the Department of Census, Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

Note 2: "Entry-level back-end employee" refers to back-end support staff who do not assume managerial roles and administrative duties. "Monthly salary" includes basic salary, meal allowance, festive bonus,

labor insurance premium, national health insurance premium, group insurance premium, pension contribution, and uniform subsidies. The statutory monthly minimum salary was NT\$19,273 as of August 29, 2014.

Note 3: "Entry-level employee" refers to staff in general who do not assume managerial roles and administrative duties.

● Full-time Employees by locations

Company	Taiwan		Overseas		Total
	Female	Male	Female	Male	
Cathay FHC	93	69	0	0	162
Cathay Life	23,155	6,597	6	80	29,838
CUB	5,283	3,026	18	69	8,396
Cathay Century	996	1,000	3	31	2,030
Cathay Securities	287	255	0	0	542
Cathay SITE	140	114	0	0	254
Cathay Futures	25	23	0	0	48
Cathay Venture	5	10	0	0	15
Cathay SICE	17	13	0	0	30
Total	30,001	11,107	27	180	41,315

Note: Females employees accounted for 13% while male employees accounted for 87% in Cathay's overseas operations. Female employees accounted for 73% while male employees accounted for 27% in Cathay's operations in Taiwan.

● Employees by Education Level

Company	Master's Degree and above	University/College	High school/Vocational School and below	Total
Cathay FHC	110	50	2	162
Cathay Life	1,799	13,250	14,789	29,838
CUB	1,331	6,681	384	8,396
Cathay Century	233	1,551	246	2,030
Cathay Securities	140	371	31	542
Cathay SITE	116	134	4	254
Cathay Futures	28	20	0	48
Cathay Venture	12	3	0	15
Cathay SICE	14	15	1	30
Total	3,783	22,075	15,457	41,315

Note: University/college degree holders represented the largest group of employees in Cathay at 53%, followed by high school/vocational school graduates and below at 37%, while holders of master's degree and above represented 9%.

● Employee Salary by Seniority

Level	Average Monthly Salary Ratio (Male: Female)	Average Annual Salary Ratio (Male: Female)
Senior manager	100:81	100:75
Mid-level manager	100:129	100:98
Entry-level manager	100:86	100:85
Other	100:85	100:87

● Managers/General Employees by Age and Gender

Company	Position	Female			Total	Male			Total
		Aged 30 and below	31-49	50 and above		Aged 30 and below	31-49	50 and above	
Cathay FHC	Manager	0	15	1	16	0	16	9	25
	General employees	25	52	0	77	5	35	4	44
Cathay Life	Manager	108	1,022	1,151	2,281	108	1,013	489	1,610
	General employees	2,721	10,412	7,747	20,880	1,795	2,554	718	5,067
CUB	Manager	0	236	69	305	0	222	116	338
	General employees	1,212	3,640	144	4,996	578	2,010	169	2,757
Cathay Century	Manager	0	13	1	14	0	155	44	199
	General employees	344	599	42	985	174	563	95	832
Cathay Securities	Manager	0	6	4	10	0	20	15	35
	General employees	49	221	7	277	23	186	11	220
Cathay SITE	Manager	0	9	1	10	0	22	5	27
	General employees	16	112	2	130	4	73	10	87
Cathay Futures	Manager	0	0	0	0	0	6	2	8
	General employees	2	13	0	15	6	19	0	25
Cathay Venture	Manager	0	0	0	0	0	2	1	3
	General employees	0	5	0	5	0	7	0	7
Cathay SICE	Manager	0	3	0	3	0	1	0	1
	General employees	3	11	0	14	0	12	0	12
Total	Manager	108	1,304	1,227	2,639	108	1,457	681	2,246
	General employees	4,372	15,065	7,942	27,379	2,585	5,459	1,007	9,051

Note: Females accounted for 54% while males accounted for 46% of managerial roles in Cathay. Females accounted for 75% while males accounted for 25% in terms of general staff.

Response to the Loss of Youth Talents: Internship and Industry-Academia Collaboration

Young people in Taiwan have recently been attracted to work in neighboring countries, such as China, Hong Kong, Singapore and Malaysia, because of the high-quality talent and the low wage environment in Taiwan. This loss of talent is mainly caused by prolonged undervaluation of the Taiwanese labor force. Despite young people successfully becoming a part of the workforce, the low-salary environment was not enough to excite employees to put their skills to work, and this reality is posing a great risk to the sustainability of Taiwanese businesses. To address this situation, Cathay not only offers superior starting salaries, but also launches internship and collaborative programs with renowned universities so that students are given the opportunity to know the real working life, and offered direct entry via paid internship programs as an added incentive to be part of the company in the future.

● Cathay Internship Program (CIP)

Cathay Internship Program (CIP), first launched in 2005, has been giving students the opportunity to learn during their summer breaks. During the internship, students are guided to perform the "project research" and "department practices" dual internship model and simultaneously participate in summit forums. Therefore, the students were divided into four types of groups: management planning, actuarial science, information insurance, and financial investment. This well-rounded experience helped the

students blend into the workplace earlier. Additionally, the group has also included corporate social responsibilities activities as part of the internship program since 2012, so that students can experience the company's CSR efforts over the years. Candidates who demonstrate good performance during the internship are given priority to be recruited as Cathay employee upon graduation.

● CIP Recruitment Statistics

Year	2012	2013	2014	
Number of applicants	692	1,090	1,248	
Number accepted	Cathay FHC	6	6	6
	Cathay Life	39	43	50
	CUB	29	27	34
	Cathay Century	4	0	-
	Total	78	76	92
Acceptance rate	11.3%	7%	7.4%	
Number recruited as permanent employees	15	7	Number who are still studying	

● Industry-academia collaboration

Cathay has been organizing "Banking and Insurance Camps" and "Cross-strait Finance Seminars" on a yearly basis as a means to strengthen relationships with the academia and promote brand awareness among young students. It actively engages nearly 40 universities and colleges nationwide in terms of collaborative projects that produce mutual benefits; the "Cathay Life Insurance Business Administration Seminar," for example, is an event jointly organized with the Postgraduate Institute of Risk Management, National Chengchi University, for six consecutive years since 2009. In light of the new digital

banking era, Cathay has begun organizing "Financial Marketing and Big Data Analysis Course" in collaboration with the College of Commerce under National Chengchi University, since 2014 for the purpose of building reserve talents in customer service and data analysis. At the end of 2014, the company donated to establish "Excellent Teacher Award and Recruitment Fund" in order to organize common classes with Department of Finance under National Taiwan University as part of its contribution to identifying, nurturing and retaining talent in Taiwan.

● Project Agent 2.0: productivity enhancement for young employees

In order to prevent the first three high risks, Cathay Life is prone to "senile" risks, where the majority of productivity is contributed by high-ranking, senior employees. In an

attempt to help young employees learn systematically and develop productively, the company launched "Project AG 2. 0" back in 2013 by introducing four key solutions: orientation, grade-based education, a new recruitment system, and enhanced managerial responsibilities. In 2014, the company developed a scientific management approach that involved the use of "Cathay Box" App for assisting the business team in scheduling visits, reviewing performance, recruiting talents, and counseling subordinates. A knowledge management platform was created in the meantime so that best practices can be made accessible over a unified platform and create a means for transformation. As a result, new recruits and mid/entry-level employees were able to deliver the best performance during the last four years.

● New Recruit Statistics

Company	Gender		Age			Region		Total New Recruits	New Recruits Resigned in the Same Year (females/males)
	Female	Male	30 and below	31-49	50 and above	Taiwan	Overseas		
Cathay FHC	8	6	10	4	0	14	0	14	(0/0)
Cathay Life	2,406	1,312	1,938	1,660	120	3,717	1	3,718	(482/277)
CUB	1,177	858	1,126	878	31	2,034	1	2,035	(120/106)
Cathay Century	158	161	186	122	11	319	0	319	(12/25)
Cathay Securities	76	51	46	79	2	127	0	127	(7/8)
Cathay SITE	23	12	8	23	4	35	0	35	(1/1)
Cathay Futures	5	14	6	13	0	19	0	19	(0/2)
Cathay Venture	1	2	0	3	0	3	0	3	(0/0)
Cathay SICE	3	3	3	3	0	6	0	6	(0/0)
Total	3,857	2,419	3,323	2,785	168	6,274	2	6,276	(622/419)





Note: "Overseas" represents employees who have been assigned by the Taiwan headquarters to work in an overseas office.

Response to the Need for International Talents: Building an Asian Business Talent Pool

It takes more than a mission statement to successfully expand into Asian markets. In addition to having a profitable business model and adequate capital to support the expansion, building up a reserve of competent talent is perhaps more crucial to the outcome of this project.

In this respect, Cathay has devised separate plans to address different talent needs of its banking and life insurance subsidiaries; all of which are intended to nurture international expertise and provide the greatest capacity to compete in Asia.

Building an Asian Business Talent Pool

 Cathay FHC firstly created the GMA program	 Cathay-Conning talent exchange project	 CUB CMA program	 Cathay Life overseas reserve talent program
<p>In an attempt to direct group synergy towards training talent, Cathay FHC launched a "Group/Global Management Associate" (GMA) program well-rounded training on various aspects of the financial services by engaging different departments. Management associates were practically engaged in a variety of business activities from product planning, customer service, distribution and marketing so that they could develop a full understanding of how companies function. The GMA program covered not just the life insurance and banking subsidiaries, but also some of the group's overseas operations where trainees were given the opportunity to see and think at a strategic level. The program had a duration of 2.5 years, during which trainees were paid NT\$65,000 per month or more than NT\$1 million a year which far exceeded the average market level. The GMA program was opened to candidates within and outside the group to enrich the diversity of our talent bank.</p>	<p>Since 2012, Cathay FHC joined Conning Holdings Corporation, a world leader in insurance and asset management services, in the founding of a Hong Kong joint venture named Cathay-Conning Asset Management (CCAM). Because of this business relationship, Cathay was able to assign its best investment talents to undergo asset management training in U.S. The formal acquisition of Conning Holdings Corporation by Cathay Life in 2014 had completed our global asset management network and expanded our services to cover America, Europe, and Asia. We continue to train overseas investment talents by arranging long-term staff exchanges; so far a total of NT\$7.7 million were spent on training eight top employees.</p>	<p>CUB has been running the Cathay Management Associate program (CMA) since 2005, recruiting approximately 35 candidates each year. In 2014, a 3.5-year training program was introduced in the Shanghai office; it comprised of four stages: Stage 1 - professional knowledge training and rotated internship for practical experience; Stage 2 - working as sales assistants to familiarize the bank's basic business operations; Stages 3 & 4 - this is when trainees deliver actual performance and develop leadership skills through practical training and overseas internship to become business managers. So far, the CMA program has trained 31 employees to their junior manager roles, and five to their roles as overseas branch managers.</p>	<p>Cathay Life's overseas offices began with the support of manpower from Taiwan and were later staffed with local talent to cooperate with overseas market development. Managers of overseas subsidiaries are regularly invited to undergo different departments training in Taiwan. A total of 73 overseas employees were trained between 2012 and 2014. To ensure stability in the supply of talents in Vietnam, a "Vietnam Office Reserve Talent Program" was launched in 2012, in which systematic trainings were offered to management reserves in collaboration with partner colleges in Taiwan, so that they may return to Vietnam to undertake management duties. A total of 32 management reserves were trained between 2012 and 2014.</p>

Building Professional Financial Talent: A Progressive, Multi-channel and Comprehensive Financial Training Mechanism

Cathay had committed to its core values of "Integrity, Accountability, and Creativity" in 2014 and devised a comprehensive training program aimed to address the organization's needs. In order to train all kinds of employees from different specializations to become our best supporting partners, Cathay FHC has implemented multi-dimensional training programs that are custom-tailored to employees of varying grades depending on the stages of their career development and the needs of the organization. These training programs were delivered using several different channels to yield the most immediate results for the benefit of the organization and the individual. In 2014, Cathay spent a total of NT\$856 million on internal and external training, giving each employee an average 307 hours of training during the year.

● Global and national training certification

Cathay continues to implement "Talent Quality-management System" (TTQS) as a means of building a robust employee development framework. Cathay Life had even become the first financial institution in Taiwan to be consecutively awarded gold certification in 2014,

● Employee Training Hours

Company	Average Employee Size (persons)				Total Training Hours (hours)				Average Training Hours per Person (hours)			
	Female	Male	Manager	General employees	Female	Male	Manager	General employees	Female	Male	Manager	General employees
Cathay FHC	93	69	40	122	1,343	1,090	1,540	893	14	16	39	7
Cathay Life	23,161	6,677	3,891	25,947	9,341,401	2,668,368	1,582,771	10,426,998	403	400	407	402
CUB	5,301	3,095	643	7,753	318,402	199,848	57,051	461,199	60	65	89	59
Cathay Century	999	1,031	213	1,817	61,197	63,157	11,088	113,266	61	61	52	62
Cathay Securities	287	255	45	497	7,484	7,515	1,654	13,345	26	29	37	27
Cathay SITE	113	141	40	214	2,124	2,198	1,828	2,494	19	16	46	12
Cathay Futures	15	34	6	43	136	215	96	255	9	6	16	6
Cathay Venture	5	10	2	13	10	44	24	30	2	4	12	2
Cathay SICE	17	13	4	26	175	99	109	165	10	8	27	6

Note: Statistics includes self-organized and third party-organized training, but excludes daily morning MOD sessions provided by Cathay Life.

● Integrated knowledge platform

To more effectively manage internal knowledge, Cathay invited Microsoft to be a partner in introducing the "Cathay+," a knowledge community platform that combines the features of a social network and cloud spaces. Empowered with functions such as document classification, search, team web page, team discussions, activities, questionnaires and appointments, Cathay+ has become the best means for employees to manage knowledge and share information. Currently, 93% of employees have become regular users of this system, storing approximately 440,000 files.

● Instructor training system

Cathay utilizes "Full-time Instructors," "Honorary Instructors," and "External Instructors" to facilitate the demand from various courses. For Full-time Instructors, Cathay Life has an "Instructor Recruitment and Evaluation

and was the first company in Taiwan to introduce CFP (Certified Financial Planner) courses back in 2012. By the end of 2014, the CFP course had trained a total of 2,396 employees and helped 156 people attain AFP/CFP certification. Today, Cathay Life is the company with the most AFP/CFP certificate holders, presenting 30% of total certificate holders in the insurance business.

● Diverse learning channels

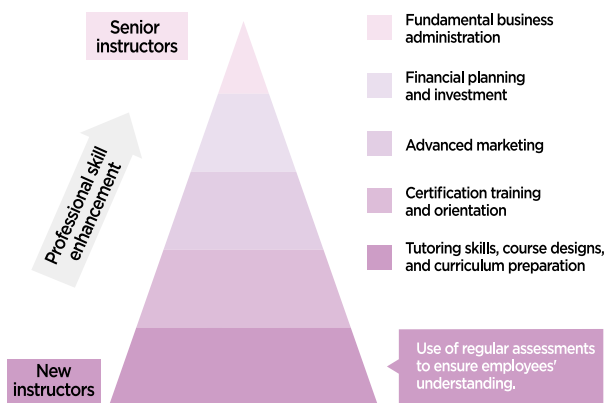
In addition to the three education centers and 13 training offices physically located throughout Taiwan, the group has also developed a "Cathay Learning Network" that offers a variety of learning channels from classroom teaching, satellite feed, Internet and mobile devices. The network has accumulated more than 8.62 million visits over the last six years. In 2014, the satellite feed was upgraded to an MOD (Multimedia on Demand) system, one that enabled each department to choose and customize course materials. 290,000 hours of online courses had been viewed by the end of 2014. Furthermore, given the fact that 92% of group employees now own a tablet PC, we have built the first mobile classroom in the industry which learners can access, interact, and discuss by using a tablet PC and a dedicated App. In 2014, "Cathay Learning Network APP" was launched with 2,745 different types of learning resources, making it the only among peers network to integrate video, online courses, online exams, and course materials.

● Internal Instructor Statistics

Company	2014	2013
Cathay FHC	6	0
Cathay Life	46	56
CUB	264	310
Cathay Century	0	0
Cathay Securities	13	12
Cathay SITE	1	0
Cathay Futures	0	(Not included in statistics)
Cathay Venture	0	0
Cathay SICE	0	(Not included in statistics)

Note: Cathay Futures and Cathay SICE were newly added this year

● Instructor Development Roadmap



● Job rotation

Cathay has designed a variety of "Back-end Employee and Sales Force Rotation," "Interdepartmental Rotation," and "Intercompany Rotation" systems to help employees gain exposure and develop multiple talents in ways that benefit their career development and contribute to the organization. A total of 91 employees had participated in the rotation program between 2013 and 2014.

Retaining Talent: Organizational Changes and Work-life Balance

Cathay undertook Project New Heights in 2012 as a means to transform our organization from within. The transformation required comprehensive internal communication to keep employees focused on the goal throughout the process, which ultimately contributes to the success of this project. As group profitability grows, it is important to provide employees with additional benefits so that they can enjoy their life outside of work and maintain the right work-life balance to retain talent over the long run.

● Two-way communication when organizational changes

Based on the outcomes of its "Organization Diagnosis" and "Global Corporate Benchmark Studies," Cathay has implemented the six main leadership force model where senior managers began a two-year leadership development learning course since 2013 and, through various assessments, surveys and action plans, took the lead in making meaningful changes throughout the organization. This leadership model was expanded to mid-level and entry-level managers in 2014, and has since been

used as a common language among the management team.

Cathay also values employees' opinions, which was why an intranet web page was created in 2014 specifically to facilitate instant updates and give feedback. Employees with similar work nature were assembled into a "Quality Control Team" that specializes in making improvements to the quality of existing products/services. Under the guise of a competent team leader, the Quality Control Team explores solutions via logic and implements them with the help of scientific tools. A sexual harassment prevention hotline and a 5880 employee care hotline have been made available to give employees immediate assistance and care. A total of 4 seminars were held in 2014 where senior managers engaged employees in exchange of opinions. These 4 sessions had a satisfaction rating of 4.5 on average (on a 5-point scale).



● Employee welfare and work-life balance

Cathay provides employees with comprehensive welfare packages to help them achieve work-life balance. For the employees' convenience, Cathay has also made nursery rooms widely available throughout the workplace and also received "Quality Nursery Certification" from Taipei City Department of Health and ranked first in the "Taichung City Workplace Nursery Competition" in 2014. All employees are entitled to family care leaves and paternity leaves, regardless of their gender. To care for female employees, Cathay even offers five days of fully paid menstrual leave and within 30 days of half-paid menstrual leave per year, which is more generous than what the Labor Standards Act requires. In cases where employees opt to take prolonged unpaid leave of absence for reasons such as injury, illness or childcare needs, we offer them the choice to continue their existing social insurance

and group insurance policies as if they are still in active duty. Our goal towards becoming the leading financial institution in Asia Pacific is contingent upon the hard work of our overseas employees. In view of fluctuations in price indices around the world, Cathay will continually review and revise its subsidies to employees stationed abroad.

By utilizing the resources with Cathay General Hospital, Cathay contributed to build a safe and healthy working environment with the establishment of 11 infirmaries. Each infirmary has a physician stationed on site to provide medical examination and consultation from safety, health management, health promotion, to mental counseling. These infirmaries are also well-equipped to perform blood sugar tests, metabolism tests, physical fitness tests, screening for four types of cancer, and weight management. Cathay conducts health and safety seminars/trainings and inspects hazardous machinery on a yearly basis; indoor CO2 and luminance are tested every six months; while defibrillator trainings, fire drills, disaster prevention rehearsals, and building sterilization are conducted on a regular basis. Both Cathay Life and CUB were accredited with "2014 Taipei City Workplace Health Excellence Award" by Taipei City Government.

● Gender equality and workplace freedom

With regards to the issue of gender equality, we had established "Cathay FHC Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace" in 2005 and "Grievance and Investigation Policy" in 2009 to serve as guidance. More importantly, Cathay has incorporated key human right concepts such as freedom of association, care for the socially disadvantaged, elimination of all forms of discrimination, and prohibition against forced labor and child labor as part of employee training.

A survey was conducted on Cathay employees using four key measurements: "Overall Satisfaction, Organizational Identification, Organizational Change, and Employee Engagement," and the result showed Cathay Life having improved 0.2 points from last year's 3.9 to this year's 4.1 (on a 5-point scale). In 2014, CUB even won "The Best Employee Engagement" (Best Employer) award from The Asian Banker.

● Unpaid Parental Leave Statistics

Company	Number of Employees on Unpaid Parental Leave		Number of employees reinstated from Unpaid Parental Leave		Reinstatement rate	
	Female	Male	Female	Male	Female	Male
Cathay Life	85	6	79	2	93%	33%
CUB	128	24	90	10	70%	42%
Cathay Century	10	3	9	2	90%	67%
Cathay Securities	10	2	5	1	50%	50%
Cathay SITE	1	0	1	0	100%	-

Note: No unpaid parental leave had been taken by employees of Cathay FHC, Cathay Futures, Cathay Venture, and Cathay SICE in 2014; they were excluded from the above statistics as a result.

● Use of Family Care Leave

Company	Family care leave		Maternity/paternity leave		Menstrual leave
	Female	Male	Female	Male	Female
Cathay FHC	0	0	0	3	4
Cathay Life	195	43	560	213	5,751
CUB	56	9	376	119	388
Cathay Century	2	4	62	41	75
Cathay Securities	1	2	9	10	25
Cathay SITE	3	1	7	4	5
Cathay Futures	0	1	0	3	0
Cathay Venture	0	0	0	0	0
Cathay SICE	0	0	0	1	0

● Occupational Hazard Statistics

Company	Occupational Injuries	Occupational Deaths	Lost Working Days	Frequency of Disabling Injuries	Severity of Disabling Injuries
Cathay Life	1	0	29	0.12	3.53
CUB	53	0	501	3.12	29.48
Cathay Century	4	0	7	1.00	1.75

Note 1: A total of 58 employees had suffered occupational injuries in 2014

Note 2: No events had occurred in Cathay FHC, Cathay Securities, Cathay SITE, Cathay Futures, Cathay Venture and Cathay SICE; they were excluded from the above statistics as a result.

Note 3: Sales forces of Cathay Life and Cathay Century were excluded from the above statistics due to the unique nature of their business activities.

Note 4: Occupational injuries and deaths include those that were suffered while commuting and during work activities outside normal hours

Note 5: The number of work days lost includes Saturdays and Sunday

● Cathay Employee Absence Rate

Company	Absence Rate
Cathay Life	6.01
CUB	54.25
Cathay Century	6.33

Note: Absence rate formula: total absent days (or work days lost) / (average employee size * 220 working days) * 200,000

● Cathay Employee Turnover Rate

Company	2014 Average Employee Size	2014 Turnover Rate	2013 Turnover Rate	Resigned Employees - 2014								Total
				Gender		Age			Region			
				Female	Male	30 and below	31-49	50 and above	Taiwan	Oversea		
Cathay FHC	157	4.46%	7.52%	5	2	2	5	0	7	0	7	
Cathay Life	4,433	5.02%	5.31%	123	98	129	88	4	216	5	221	
CUB	7,431	6.7%	6.03%	380	322	346	345	11	699	3	702	
Cathay Century	1,539	7.28%	6.1%	44	68	60	51	1	112	0	112	
Cathay Securities	518	15.64%	18.09%	48	33	16	64	1	81	0	81	
Cathay SITE	240	7.5%	4.31%	11	7	1	15	2	18	0	18	
Cathay Futures	46	32.61%	26.83%	2	13	3	12	0	15	0	15	
Cathay Venture	13	22.93%	0%	0	3	0	3	0	3	0	3	
Cathay SICE	29	6.9%	17.5%	1	1	0	2	0	2	0	2	

Note 1: "Overseas" represents employees who have been assigned by the Taiwan headquarter to station in an overseas office.

Note 2: Average employee size = (employee size as at Jan 31 + ... + employee size as at Dec 31) / 12 months; unit: persons

Note 3: Turnover rate formula = (cumulative number of resigned employees / average employee size) * 100%

Note 4: Sales forces of Cathay Life and Cathay Century were excluded from the above statistics due to the unique nature of their business activities.

Respond to Needs of Customers, the Environment and Society

Popularity of financial services is what we can improve upon in emerging nations. According to a global insurance study conducted by Swiss Re in 2013, the level of insurance penetration (i.e. the percentage of premium revenues relative to GDP) was merely 3.4% among emerging markets in 2013, and this was only half the world's average level. Taiwan, on the other hand, has an over-saturated insurance market, with insurance penetration ranking ahead of the rest of the world over consecutively years since 2007. At the end of 2014, Taiwan's insurance penetration was 18.74%; however, this high penetration did not arise out of the concern for "risks and protections," but rather because of the need for "alternative investments." What we need to focus on next is to design products that are more flexible, more custom-tailored to customers' needs, and that place greater emphasis on risk protection.

In addition, since the Internet has become a significant part of our lives, all existing business model will inevitably be changed by mobile communication, big data, cloud computing, and the Internet of Things. According to the "2014 State of the Industry Mobile Financial Services for the Unbanked" report published by GSMA, mobile technology will continue changing the ways people access financial services: Out of the 25 markets surveyed, the number of mobile service outlets was 10 times the number of bank branches. In 2014, the number of active mobile banking users had increased by 41% from the previous year to more than 100 million accounts. As a result,

developing new services consistent with regulations has become the new focus for all financial institutions.

Customer Service Quality and Satisfaction

Financial service is all about "people," and given the fact that one out of two Taiwanese is a Cathay customer, we value customers' satisfaction as our most precious asset. The founding of a Service Quality Committee in 2012 was immediately followed by the introduction of group service guidelines, which required all subsidiaries to take part in by assembling their own "Service Quality Teams." Meanwhile, a number of initiatives have been taken such as ISO9001 certification as well as the best service rep contest, and "Touched Service Area". Combined with the launch of Project AG2.0, Cathay Life was able to achieve the highest sales force retention rate among peers in 2013 and 2014. In the future, Cathay will continue to improve service to customers in all areas of expertise.

	Cathay Life	CUB	Cathay Century	Cathay SITE	Cathay Securities
Satisfaction survey items	<ul style="list-style-type: none"> Sales staff Customer service center Claims service Telephone care services 	Phone service	<ul style="list-style-type: none"> Phone services Claims services Administrative services 	<ul style="list-style-type: none"> Website impression Online transactions Distributors 	<ul style="list-style-type: none"> Web services Phone service
2014 overall performance	90.8% <small>*Note: Although overall performance had dropped by 1% compared to the previous year, a commissioned survey conducted by a private agency still placed Cathay Life ahead of its peers in terms of customers' overall satisfaction.</small>	89.1%	94.7%	Satisfaction at 97.4%, up from the 83% in 2013. <small>*Note: product/service innovations and a broader distribution network have enabled customers to identify with the Company's values, resulting in a higher satisfaction rate.</small>	89.8% <small>*Note: overall satisfaction had dropped slightly due to a change of survey method within the customer service system.</small>

Note 1. Securities service hotline: This is based on the result of the Call Management System (CMS) developed by Avaya, a world-renowned telecommunication service provider. It calculates the percentage of incoming calls answered within the target time (20 seconds), which reflects the company's efficiency in responding to customers' queries.

Note 2. Banking service hotline: Customers who called the bank's service hotline were randomly issued electronic questionnaires, which asked customers to rate satisfaction as: Very Satisfied, Satisfied, Average, Unsatisfied, or Very Unsatisfied. CUB had set "Very Satisfied" and "Satisfied" as its target responses.

Equitable Design and Sale of Financial Products and Services

Cathay FHC and subsidiaries have standard operating procedures (SOP) and product review panels in place to assess the appropriateness, legitimacy, viability and marketability of every product prior to launch. Cathay Life, for instance, requires all insurance products to be reviewed by a Insurance Product review panel before launch. A total of 94 product review meetings were held by Cathay Life in 2014; they served to ensure compliance with regulations and protection of consumers' interests.

Customer Complaints and Claims Services

Cathay Life has implemented a set of "Notes on Complaint Handling" to serve as guideline and has continually been testing itself with ISO 10002 - Complaint handling standards between 2010 and 2014. Given the growing variety of customers and increasing use of mobile devices, Cathay Life has also exploited different means such as the telephone, Internet, as well as an App to reach customers, and incorporated the use of Automatic Call Distribution (ACD) to shorten the complaint handling process to within one day.

● Enhanced dispute resolution

Cathay Life has implemented a set of "Minor Dispute Handling Guidelines" and given frontline staff, such as 0800 operators and service center personnel, the proper authority to resolve customer disputes in the first instance. Based on most customers needs, common disputes that the company received in 2014 were analyzed in great length to facilitate appropriate adjustments to the guidelines. Meanwhile, an "Others" category has been created in addition to the existing security and premium-related ones to allow greater flexibility and timeliness when responding to customers' needs. Minor disputes accounted for 18% of total complaints received in 2013 and 2014, for which the company has taken the initiative to resolve these complaints in the first instance and in the customers' best interests.

● Streamlined claims services

A "Claims" section was created on Cathay Life's web site

in 2014 as a means of providing 24-hour claims processing. This online service allows customers to trial-calculate the amount of claims they are entitled to receive and make real-time inquiries about their claims requests, which greatly improved the efficiency of how claims are handled. On average, 27,000 users log in each month to make full use of claims services. Cathay Life was also the first in the industry in Taiwan to offer "Direct Medical Benefits," allowing hospitalization expenses to be paid directly to the hospital at the time of patient's discharge. In light of the growing business and tourism activities between Taiwan and China, Cathay Life now gives policy holders the convenience of making claims at Cathay Lujiazui Life Insurance, Cathay Life's joint venture insurance company in China, when any covered incidents occur during their stay in China. With further deregulations underway from the Chinese regulatory authorities, the company may even be able to pay insurance benefits directly to policy holders while they are in China, giving them the best overseas claims experience.

● 2014 New Services and Yields - Cathay Life Insurance

Service Channel	Innovative Practice	Overall Yield
Flexible complaint handling service	A total of nine survey methods including telephone, Internet, and apps	Complaint turnaround time was shortened to one day
Establishment of a claims section	24-hour claim application and inquiry; the first among peers to introduce trial calculation for hospitalization claims	The claims section averages 27,000 visits per month
Claims & benefits	The first among peers to introduce "Direct Medical Benefits"	This change is expected to affect 3,000 policyholders, whose claims will be made and medical expenses paid as soon as they are discharged from the hospital
Cross-strait claims services	Launch of cross-strait claims service (applications are accepted by Cathay's Lujiazui Office)	Gives Taiwanese business entrepreneurs the convenience of making claims at the place of business, hence save processing time

Customers of CUB are able to reflect their opinions through the use of opinion forms, website access and the 24-hour customer service hotline. Complaints are followed up and feed back is actively provided to customers. Based on complaint handling procedures, customers' complaints are confirmed and processed properly and immediately, and help from other departments to coordination with the customer is used when needed. Meanwhile, the the progress of replies by the responsible unit is tracked

and timely contact is made with the concern customer. Furthermore, the bank reviews customers' complaints and their progress on a monthly basis to facilitate improvements. For major complaint cases, the bank holds a "Retail Banking Complaint Review Meeting" to explore areas of improvement in terms of procedures, product design, marketing, or customer service. In this regard, CUB received a total of 269 major complaints referred by the Banking Bureau in the second half of 2014, which was 81 fewer cases (or 23%) than the 350 cases received in the same period in 2013.

Security of Customer Information

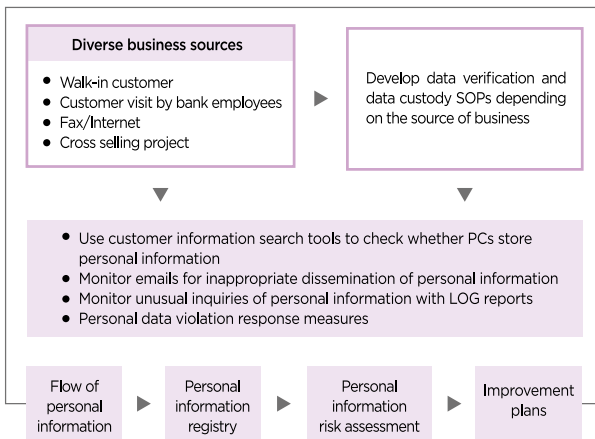
Information security has always been a major concern in the financial sector, and its importance increases as we progress into the mobile banking era. To ensure compliance with the Personal Information Protection Act, Cathay Life has devised and implemented a "Personal Information Handling Policy," "Personal Information Authorization Policy," and "Personal Information Security Plan" to guide its employees. In 2014, Cathay Life was certified for "BS 10012 - Personal Information Management System" and revised version of "ISO 27001: 2013 - Information Security," which made it the only life insurance company in Taiwan to have been certified for both standards.

● Cathay Life Customer Information Security Management

Internal policy	Customers need to be informed of the specific purposes and conditions for which personal information is gathered, processed and used, along with other notes concerning the use and accuracy of information
	Deletion and cessation of processing and use of personal information when the specific purposes no longer exist or that customer's authorization has expired
	Information on exercising customers' right and the right to refuse marketing activities

CUB uses systematic tools to monitor transmission, inquiry and access of personal information, and has a "Personal Data Violation Response Policy" in place that is rehearsed regularly to ensure its relevance. Emergency response procedures are constantly revised and optimized based on the results of the rehearsal.

● Cathay United Bank Customer Information Management Flowchart



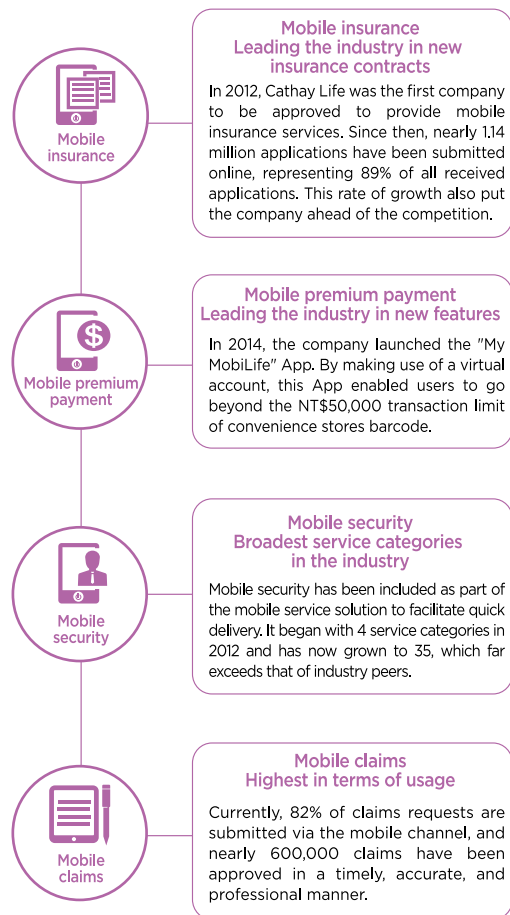
Keeping up with Change: Digital Innovations in Financial Services

Given the rise of digital banking and mobile payment services, it is foreseeable that use of new technologies will become the next competitive focus. The Financial Supervisory Commission in Taiwan was compelled to embrace this change and launched its Banking 3.0 initiative in the second half of 2014, along with a number of deregulations that encouraged innovations in the banking industry. Cathay is committed to digital transformation. Apart from our banking App, the mobile insurance solution launched by Cathay Life leads the industry in terms of growth. In January 2014, CUB established a Digital Banking Department to build professional teams and to enhance our ability to enter the market of digital banking services markets.

● Cathay Life Insurance: Leading in mobile services

Cathay Life has successfully combined technology with insurance services and built a comprehensive multi-purpose mobile platform that handles customers' requests for new applications, security, claims, and premium payments. It can even automatically approve insurance applications and claims, giving customers the most timely, and undisrupted services at the convenience of their homes.

The Most Comprehensive Mobile Services



● Cathay United Bank: Full range of online teller services

A series of enhancements has been made to CUB's online services since 2013, including the industry's first online personal loan application for existing customers. In 2014, features such as mortgage applications, credit card limit adjustments, and cash advance requests were added to the online banking system, thereby allowing customers to complete and submit documents online and save time and costs in the process. These services run 24 hours a day and are followed up by bank staff after a request is submitted. Currently, 34% of personal loan applications are submitted online, while funds can be disbursed within the same day at the earliest. This added feature has greatly improved efficiency and customers' satisfaction.

Moreover, online banking services were introduced to My MobiBank in the first quarter of 2014, giving customers the convenience to make account transfers and fund subscriptions. Later in November, a feature was introduced to allow customer to draw queue tickets using their cellphones, and hence enabled greater control over waiting time. These convenient, effective and people-oriented designs contributed to the 45% growth in users and 54% growth in download count. In 2015, the bank will continue expanding its services to include foreign currency, securities, futures and insurance, in addition to the existing NTD activities .

● Cathay Century Insurance: Mobile App series

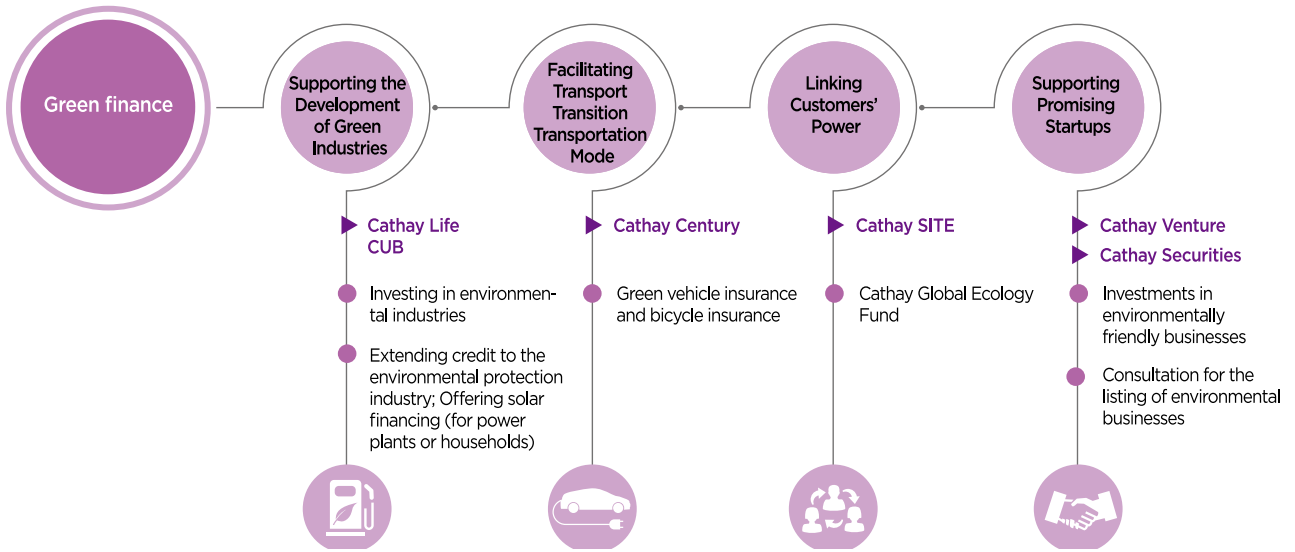
In 2012, Cathay Century launched a smartphone App named "My MobiCare," followed by a 2.0 version update in 2013, that combines all the features customers need in case of a traffic accident, such as GPS, picture-taking, voice recording, list of important contacts, claims inquiry, etc. Data captured by the App can be uploaded and processed by back-end support to protect customer interests. The App had 80,000 downloads by the end of 2014, ranking first among peers in the property insurance business.

Building on previous success, in 2014, Cathay Century later launched "My Trip Asst, an that guides customers through the necessary steps in the event of a travel accident. Even if customers are not familiar with the local language, the App contains detailed instructions in both Chinese and English to help customers acquire documentary proof. When returning to Taiwan and filing a claim, the App can be used as a guide for submitting claims to protect customer interests. Furthermore, the App provides information such as country codes, useful travel contacts and items to bring on a trip that can be downloaded for free by the general public.

● Cathay Securities: Mobile e-commerce



Investments that Cathay Securities had put into mobile e-commerce are starting to yield positive results. As of December 31, 2014, we had 80% of our retail customers trading over our electronic platform, and 63% of which use the mobile channel, reaching a new high. The number of transactions made through the mobile platform has also reached a new high accounting for 50% of all electronic trades.



Products Driven by Environmental Issues

Cathay made its commitment to "Green Finance" in 2013 in the hope of promoting environmental and energy issues in Taiwan since we have various roles to play and the ability to assist in various ways.

● Star River Energy Corporation

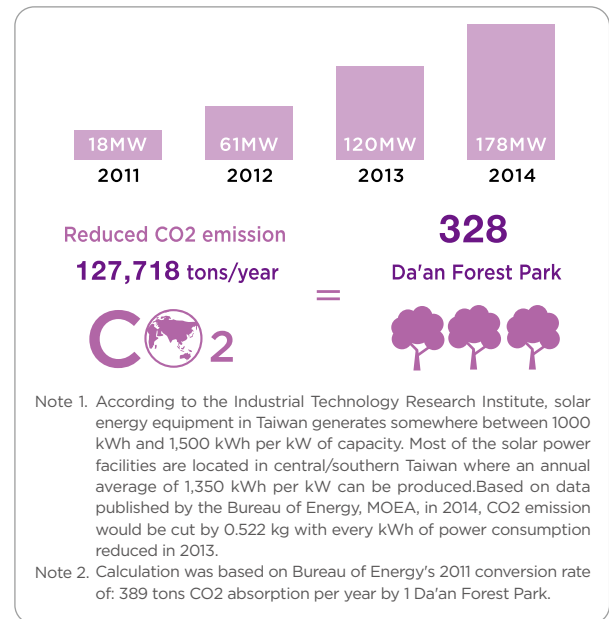
Star River Energy Corp. was founded in joint effort by Cathay Life, AU Optics (AUO) and other life insurance companies. It aims to leverage AUO's success in solar power generators to construct proprietary solar power plants and, by acquiring other power plants, achieve more efficient use of resources. Star River Energy was founded with the hope of becoming the nation's solar power hub; by 2014, Star River Energy owned 100% of Sungen Power Corp. (a solar power company previously owned by AUO), under which there are currently 4 solar power stations established at the Central Taiwan Science Park and Houli (3 are in operation, while 1 is under construction).

● Cathay United Bank's solar energy equipment loans

There is still much discussion about whether solar energy can bring structural change to Taiwan's power generation. However, Cathay believes that Taiwan has far superior exposure to sunlight compared to Europe, and roof solar panels can shield the building against direct sunlight, thereby reducing indoor temperature and lowering power usage during the summer. Furthermore, the setup can be easily adopted across different industries (e.g. agriculture, animal husbandry, and manufacturing) to yield greater productivity. Due to the above advantages, Cathay has long been supportive of financing solar power companies, and began expanding this initiative towards overseas in 2012, starting in the U.S. and China for the first time in 2013, followed by Japan in 2014. At the time, CUB was the first Taiwanese bank to have loaned to a Japanese solar power company.

As of 2014, CUB had financed 139.9 million watts of solar power capacity, representing a market share of more

than 30%. The 876 solar power stations that Cathay has financed locally and overseas are capable of reducing CO₂ emission by 127,718 tons a year, which is roughly 328 times the carbon absorption of Da'an Forest Park.





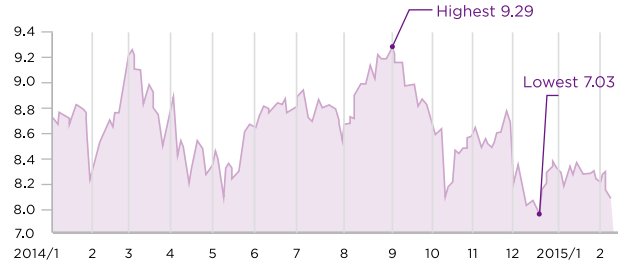
● Green vehicle insurance and bicycle insurance

Green transportation is just as important as green infrastructures. In this respect, Cathay Century launched a "Green Vehicle Insurance" project in 2013 that gives owners of hybrid cars, electric cars and electric motorcycles a 10% discount on premiums of optional insurance coverage, while premiums of statutory coverage remain unchanged due to regulation. This project was introduced to support owners of environmentally friendly vehicles, and by 2014, a total of 2055 vehicles were insured under this scheme.

As one of the world's key producers of bicycles, Taiwan has seen an increasing number of people riding bicycles for leisure and daily commuting. In light of this trend, in 2014 Cathay Century launched the first tailor-made insurance package for the cycling population with the broadest and most comprehensive coverage. It remains today the only insurance package that covers rented bicycles for theft, collision and third-party liability, thereby keeping cyclists covered against injuries and property damages

Cathay Global Ecology Fund

For 7 years, the Cathay Securities Ecology Fund has offered an alternative investment option for investors. It currently invests 80% of its capital in such businesses as water resources, clean energy, solar power, recycling, power-saving equipment, green vehicles, and batteries. The fund lost approximately 3% of its net asset value in 2014 mainly due to overall under-performance in the environmental protection sectors worldwide, coupled with the collapse of oil prices that undermined investors' confidence toward the viability of new energy sources. However, rising environmental awareness is an undeniable fact throughout the world, as the U.S. and emerging nations have all devoted more resources to the development of clean energy including solar power. Given the strong performance that the portfolio has delivered so far in 2015, we remain optimistic about the long-term prospects of the Cathay Global Ecology Fund.



Net Asset Value of Cathay Global Ecology Fund

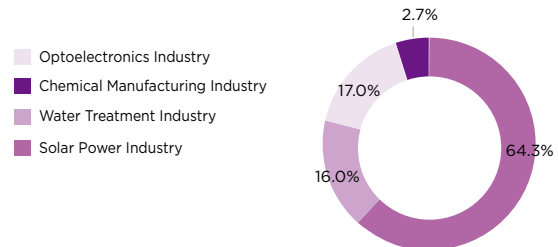
● Investment in green ventures

Cathay Venture has been committing capital into unlisted companies that are involved in the environmentally friendly businesses. As of the end of 2014, companies in the green industry accounted for NT\$269 million of the portfolio. Other types of environmental industries are as listed below.

● Advising on the listing of environmental businesses

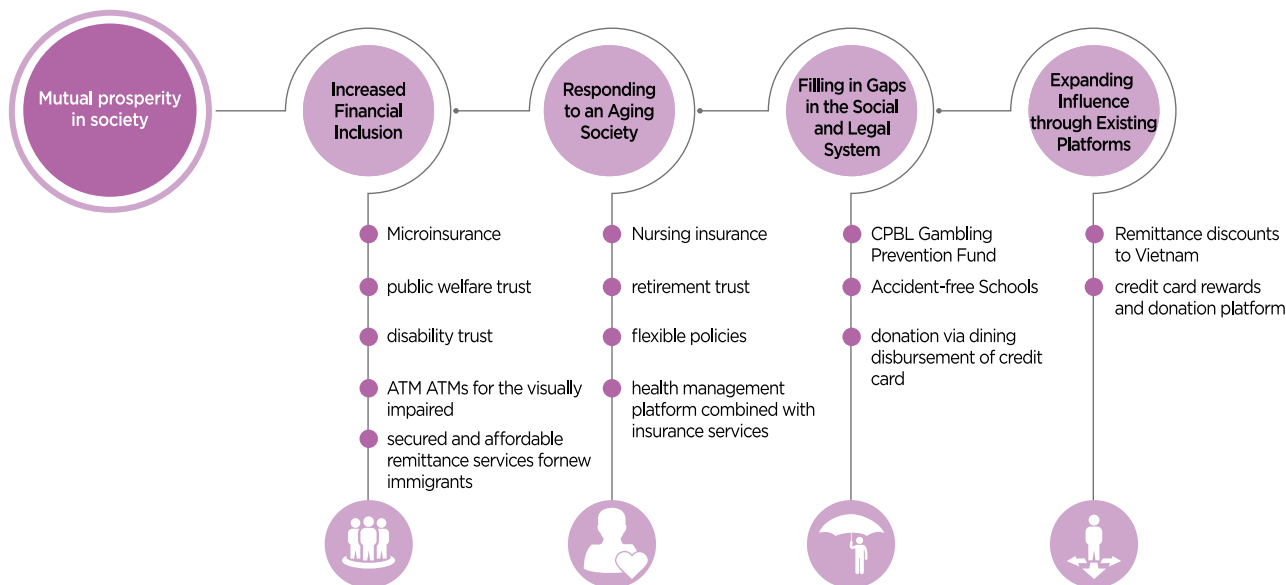
Cathay Securities has been contributing to environmental and energy issues by helping environmental and green energy businesses raise capital through IPOs or secondary offerings, This has allowed Cathay Securities to reach its business goals for environmental conservation and carbon reduction, thereby advocating a social response and cultivating a positive sentiment within society.

● Percentage of invested industries



The following are projects supported/assisted in 2014:

- Advised Filtrafine (ID: 4556;an industrial wastewater treatment provider) for a listing on the Emerging Stock Market
- Assisted Kuo Toong International (ID: 8936;a wastewater treatment pipe supplier) in a NT\$600-million convertible bond issue
- Advised on the IPO of NewEdge Technology, an energy-saving IC design company



Products Driven by Social Issues

According to the World Bank's "2014 Global Financial Development Report: Financial Inclusion," more than 50 countries in the world have aimed to improve the overall financial inclusion. The report also emphasized that more financial services should be directed toward low income earners, women, young adults, rural residents, and the socially disadvantaged. As Michael Porter has suggested, companies should work with customers and the government to create values that are mutually beneficial to society; Cathay Life aim to include a broader diversity of customers into our portfolio and introduce innovative solutions to accommodate the nation's changing demographics and complement what the social system has failed to address.

● Microinsurance - Protection for disadvantaged families

Insurance, by its nature, protects families against unfortunate events and society against instability. In 2009, Cathay Life launched the industry's first microinsurance with much of the service charges absorbed by the company so that disadvantaged families can enjoy basic coverage at affordable premiums. Meanwhile, the company has also set aside a budgets to support families that cannot afford to pay premiums, and arranged employees visits to understand the needs of the disadvantaged group. We actively engage organizations such as World Vision and Eden Social Welfare Foundation in charitable missions, and have assembled a team of representatives to convey our concern and offer our protection to disadvantaged families. In 2014, Cathay Life achieved a 20% market share in microinsurance, which was not only the top ranking in the insurance industry but Cathay Life was also the only company to receive both the "Microinsurance Action Award" and "Microinsurance Promotion Award" from the Insurance Bureau.

● Cathay Life was awarded by both Microinsurance Action Award and Microinsurance Promotion Award.



● Effective use of assets: Disability trust, charity trust, and CPBL gambling prevention trust

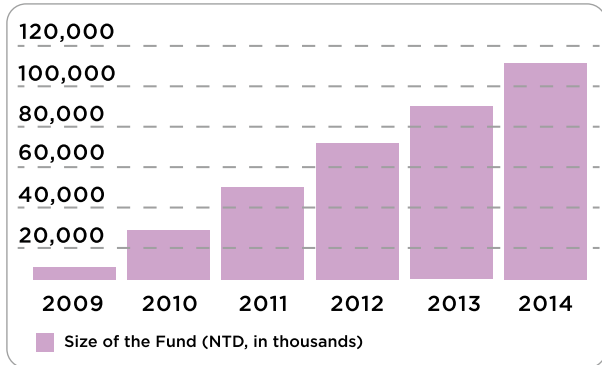
CUB has perennially run the "Disability Trust," which is a pool of assets managed to provide living support for disabled persons, and is jointly supervised by the bank, trusted relatives and social welfare organizations. In 2014, CUB was invited by the Taipei School for the Visually Impaired, Taipei School of Special Education, Wenshan School of Special Education, Syin-Lu Social Welfare Foundation, and Chiayi City Social Affairs Bureau to conduct a series of trust seminars and had successfully helped 12 families create disability trust for family members who required special care.

As civic awareness rises, so does the public's need for financial transparency. For every "Charity Trust" that CUB has assisted with, regardless if they are for companies or individuals, detailed statements and balance sheet information are published on the bank's website on a yearly basis to give benefactors the utmost transparency and to ensure the exact contribution to the community. In 2014, a sum of NT\$64 million was donated across all charity trusts managed by the bank for various purposes including social aid, education, and culture.

To rebuild people's trust in the local professional baseball league after several game-rigging incidents, CUB has been working with player unions and the professional baseball association since 2009 in founding the "Sportsmanship Trust," and was appointed as the sole custodian for the trust. This trust was structured on the basis of an "Anti-gambling Fund"

and a "Players Retirement Fund" that served to discourage players' involvement in sports gambling. By 2014, the Anti-gambling Fund had accumulated more than NT\$100 million in assets and provided urgent financial relief to nearly 30 payers, which safeguarded their commitment to true sportsmanship.

● **Value of CPBL Gambling Prevention Fund.**



● **Remittance discounts to Vietnam - a secured and affordable service for new immigrants**

According to the National Immigration Agency, Ministry of the Interior, there were nearly 500,000 new immigrant spouses in Taiwan at the end of 2014; nearly 19% of whom were Vietnamese. CUB has been working with VietinBank since 2013 to provide Vietnamese immigrants with a faster and more secured remittance service. Given the fact that ownership of bank accounts is still unpopular in Vietnam, we have customized our service to forgo the need of a deposit account. In 2014, an improved service named "Vietnam Fast Remittance" was introduced, allowing new immigrants to get discounts on the full amount of the remittance. This helped cause the amount of remittance made by new immigrants to increase by 150% compared with the prior year.

● **ATM services for the visually impaired**

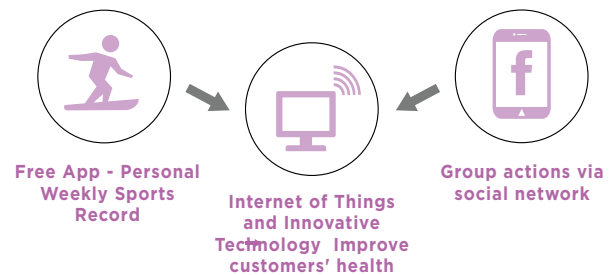
As at the end of 2014, CUB had 1,951 ATMs deployed throughout the nation and its continues to optimize financial services for the disabled. Recently, all ATMs along Taipei metro lines have complied with the U.S. ADA Standards for Accessible Design. Moreover, a total of 11 "voice-activated ATMs" have been deployed at 9 automated service stations along Taipei metro lines, and at the Taipei School for the Visually Impaired and Taiwan Railway Keelung Station for the convenience of people with disabilities.

● **Responding to an aging society - Nursing care insurance, flexible policies and health management platform combined with insurance services**

In 2013, Cathay Life launched its third generation nursing care insurance with various adjustments made according to the latest studies and demands. It was the first insurance policy to offer life insurance coverage with the flexibility to convert into an annuity or nursing benefits depending on the age of retirement. A series of seminars were conducted throughout Taiwan, during which experts were invited to share their views. These seminar sessions averaged a 96% satisfaction rate. Meanwhile, the company also created a website, Cathay FUN Nursing Care, dedicated to nursing care, where people are provided with information regarding healthcare and nursing.

According to forecasts made by the National Development Council, Executive Yuan, the elderly population aged 65 and above may increase to 20% of Taiwan's population over the next 10 years. In an aging society, covering one's own living costs and medical expenses at old age is a much more imminent problem than what to leave for children. Accordingly, Cathay Life made an unprecedented decision in September 2014 to give customers the option of converting existing life policies into medical insurance, nursing care insurance or annuity policies. In sum, 11 of the company's products can be turned into 23 variations and customers can choose to cover future medical or nursing expenses or simply to receive annuity payments. Meanwhile, policyholders are given the option to revert back to their original policies anytime within three years as long as no annuity or benefit is paid.

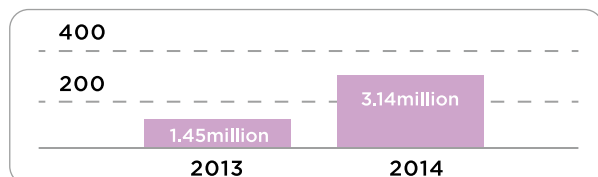
Based on statistics compiled by the Ministry of Health and Welfare, the gap between Life Expectancy and Health-adjusted Life Expectancy has increased from 8 years in 2006 to 8.7 years in 2012, indicating that the Taiwanese people are living more of their lives in an "unhealthy" state. To address this problem, Cathay Life launched its new "Active Healthcare Policy" in 2014 that combines the use of a health management platform, the Internet, cloud computing technologies, wearable devices, and social network to monitor, promote, and reward healthy living and regular exercises.



● **Children's lunch donation via credit card charges for dining—credit card bonus donation platform**

To give customers the ability to make donations and shop at the same time, CUB has made a commitment to cardholders that 0.3% of all amounts spent on dining will be donated to provide breakfast for children living in remote areas. The amount of donations made under this scheme increased from \$1.45 million in 2013 to \$3.14 million in 2014, helping a total of 533 children by the end of the year. In addition, the bank has created a donation platform that encompasses an extensive list of social welfare organizations, offering customers the privilege to accumulate 1 reward point (or 2 for certain card types) for every \$20 spent, and to exchange 2000 points for a \$120 donation. A total of 730 reward point donations were made in 2014, which amounted to a sum of \$312,000. Direct donations made via credit card amounted to \$870 million, and these donations were distributed to support social welfare institutions for the disabled, children, and women.

● **Amount of children's lunch donations via credit card charges for dining**





Response to Stakeholders - 3

Changing Social Values

The eagerness and kindness of Taiwanese people to do charity work and donate generously in the face of sudden natural disasters have been recognized globally. However, increasing the transparency of public affairs, the inherent effects of charity itself, and creation of transformation force have become more essential in a new era. Being one of the largest corporations in Taiwan, Cathay continues to focus on these issues. We are looking forward to bringing about positive contributions to the society and a change in mechanism will be our key focus. Hopefully, we can create a brighter future together under this wave of change.

2015 Goals

- Enhance information transparency of social enterprises in Taiwan
- Apply corporate purchasing power to support social enterprises
- Reduce electricity consumption by 2% each year for Cathay FHC and subsidiaries (including head office)
- Overseas promotion of Cathay Accident Free School Project



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Social Initiatives Transformation

Changes in Cathay's social initiatives

Cathay has changed its method of helping disadvantaged children. The launch of our first "KITURU" dream project in 2014 epitomizes public welfare not only in terms of donation, but also a focus on children's needs and dreams. Meanwhile, Cathay has been supporting social enterprises both individually and collectively by creating "ShoJio Public Web Platform" in 2014 in order to create more awareness of the stories and products of social enterprises.

Extending the damage prevention function

Since 2012, Cathay Century has been applying its expertise in the field of damage analysis to operate an "Accident-Free Schools" program. In 2014, it shared its extensive experience in handling traffic accident claims with the academia to launch two programs, "Driver's Diagnosis" and "Danger Cognitive Exam - Taiwan Version", which aimed to address traffic accidents - the nation's most common cause of accidental fatality.

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Environmental Multiplier Effect

Ongoing introduction of energy and environmental management system

Cathay Life had passed ISO 14001 in 2012, and was chosen as "Exemplar in Energy Management Systems" in the subsequent year. In 2014, Cathay Life initiated an "Energy and Environmental Management System Promotion Plan" which led to an expansion of 10 office buildings nationwide from its existing system, standardizing energy and environmental management practices in places where it operates.

Greenhouse gas inventory and reduction

Cathay had completed the first stage of greenhouse gas inventory and received ISO 14064-1 certification. In 2014, the group moved ahead of schedule and completed 72.6% of its major service locations in the GHG survey. Moreover, Cathay had accomplished 5% energy reduction target for three consecutive years till 2014, and managed to reduce power usage by 522,800 kilowatt-hours in the life insurance office building and 393,759 kilowatt-hours in the banking office building in 2013. This consequently led to power costs saving of \$2,623,559 in 2014.

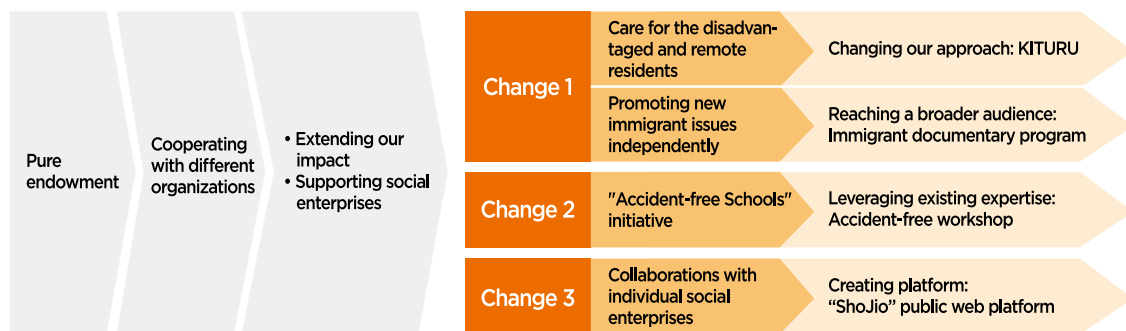
Social Initiatives Transformation

Taiwan is a friendly society. According to the 2014 Philanthropy Observation Report published by the Association of Philanthropic Accountability, Taiwanese companies and individuals collectively donate more than NT\$50 billion a year; this stream of financial support showed stability without being significantly impacted by economic fluctuations. The two charity foundations under Cathay compile direct donations from subsidiaries and employees to support long term campaigns. However, the development of global trends enjoined us to place our emphasis on striking the right balance between directly assisting those in need at all costs and achieving optimal influence through effective use of evaluation tools.

Cathay's charity has undergone varying degrees of

adjustment over the course. In recent years, we have gradually shifted our focus from pure endowment to joint collaboration with different organizations. Cathay also assembled our own group of Linyuan Volunteers to serve the public through our widespread service locations. In 2014, we further scrutinized our charity cause by conducting a "Charity Influence Survey" on non-profit organizations, corporate volunteers and the general public. More than 7,000 questionnaires were disseminated for this purpose, and when combined with the results of the 2014 stakeholder survey, demonstrated a significant increase in the mentioning of the term "social enterprise", which was why we have redirected our charity efforts to support social enterprises and strived to extend our influence.

● Transformation of Cathay's charity strategy



Cathay also places great emphasis on the transparency of its charity activities. Cathay Charity Foundation and Cathay United Bank Culture and Charity Foundation have had their annual financial statements certified by public accountants and their charity efforts published through annual reports under public scrutiny. Cathay Charity Foundation has even been rated "Excellent" for the fourth straight year under the "Charity Organization Assessment" organized by the Ministry of Health and Welfare.

● 2014 Focuses and Progress of Group Social Efforts

Year	2012	2013	2014
Public Welfare Expenditure (NTD)	344m	290m	330m
Volunteer Count	5,169	10,357	11,469
Volunteer Participation Rate	62%	105%	73%
Visited Subjects	896	1,600	1,667

Cathay's Major Changes #1: Envisaging Children's Needs and Dreams

In Taiwan, the use of child labor has been gradually eliminated following the introduction of the Labor

Standards Act and compulsory education. Meanwhile, given the highly professional nature of the financial industry, the chances of employing child labor is even more remote. However, there are still many children in Taiwan who live in difficult conditions without any access to society's resources and suffer from discrimination. This is especially true for children of the indigenous people and new immigrants. During a meeting with Nobel Peace Prize winner Kailash Satyarthi in 2014, Chairman Frederick Chien of Cathay Charity Foundation said: "Charity is not about sympathy, but envisaging children's needs and dreams."

● KITURU - care for children living in remote areas

Due to the transformation in charity strategy, the way to care for remote children has also changed. Apart from the 12th annual Cathay Children Development, donating warm clothes, supplies and cash for 13 consecutive years, we have begun wondering: what more could we do to care children from remote areas?

Thus, "KITURU" program was launched in 2014. The word "KITURU" means "practice" in the language of the indigenous people, and the purpose of this program was to encourage children to set their own training goals. Once the goals have been accomplished, Cathay Charity Foundation would reward the children and give them a

taste of the joy when you realize your own dreams.

From the soccer team of Miaoli Shilin Elementary School, the Judo team of Meiyuan Elementary School, the ocarina team of Taitung Haiduan Elementary School, the cultural heritage club of Li Jia Primary School, the photography team of Yeyou Elementary School, the archery team of Hualien Gu Feng Primary School, the snake board team from Pingtung Yu Ying Elementary School, to the Tainan Ka Bua Sua Elementary School team aiming to jog to Taipei 101, we have encouraged students to set goals and work towards them. We gathered them one year later in Taipei where they showcase the steps they have taken to fulfill their dreams, setting a good example of productive learning initiative.

This program has received great support from employees, and garnered a record breaking donation of NT\$16,941,384 in 2014 that exceeded the previous year's results by 97.1%, setting a good example of how internal communication and actions can be implemented to yield significant results.

Yeyou Elementary School: Using underwater cameras to capture the beauty of Orchid Island

Yeyou Elementary School, which is located at the west coast of Orchid Island, nestled beside coconut oil tribe with ocean; the students, which comprise mainly of descendants of the Yami tribe, symbolizing with ocean since childhood.

Yeyou Elementary School not only incorporated Yami tribe's maritime culture into its curriculum, but also promoting long term beach-cleansing activities. In order to capture the beauty of the ocean, students of Yeyou Elementary School committed themselves to complete 30,000 rope jumps in exchange of having Cathay Charity Foundation's sponsorship for underwater cameras so that the children can use them to capture the unique sea creatures and views beneath the culture of Orchid Island.

- **Students of Yeyou Elementary School used jumping rope action to show dedication to their cause!**



● New immigrants in Taiwan

According to the Ministry of the Interior, due to an increase in cross-border marriage, immigrants have contributed more than 20,000 new births each year since

2000. Today, these children and their immigrant parents (approximately 500,000 in terms of population from Southeast Asian origin) account for more than 1 million of the country's population. In light of the dwindling fertility rate, it has been estimated that new immigrants will account for 13.5% of young adults aged 25 by 2030, and become a significant part of Taiwan's demographic structure! Since 2005, Cathay has been aware of the rising number of new immigrants and has become one of the first companies to commit resources in helping "immigrant women" with cultural adaptation, language learning, and parenting. In 2009, this initiative was expanded to cover "new immigrant families and offspring", especially emphasizing on the importance of helping immigrant children identify with their native cultures, so that their inherent advantage (place of birth) can help them to build self-confidence. Eventually, this will change how locals perceive immigrants. By the end of 2014, Cathay has committed more than NT\$40 million in resources and helped 160,000 new immigrants in total.

Meanwhile, Cathay has also taken the initiative to create an open platform that pools social energy to tackle issues concerning new immigrants. Since 2011, Cathay has been working with the National Immigration Agency, Ministry of the Interior, and local and foreign academic institutions in organizing the "Global New Immigrant Conferences". Government officials, experts and scholars from Japan, Korea, USA, Hong Kong, Switzerland, Poland, Myanmar and Taiwan were invited to share theories, practices, and suggestions on issues associated with new immigrants. The conference was one of the most significant events on immigrant issues, which attract attention from the National Immigration Agency. Cathay was invited to jointly organize in the 2014 event.

In 2014, Cathay made an unprecedented attempt to collaborate with the College of Communications from National Chengchi University on a new immigrants' documentary project where video interviews and photography field trip were conducted by students to tell the true stories behind the new immigrants. This project gave students the opportunity to engage with social welfare institutions and new immigrants, and those who participated were greatly inspired by how new immigrants have tried to overcome the difficulties they faced. Students felt touched when learning the survival stories of the new immigrants and their new found knowledge served them well as they embarked to help and care for new immigrants.

- **Cathay Charity Foundation had collaborated with National Chengchi University in launching a documentary course.**



Cathay's Major Changes #2: Extending the Damage Prevention Function

The nature of the financial industry is about risk control. Cathay Century has utilized its expertise in this respect and introduced damage prevention courses for school-age children, young adults, and entrepreneurs to help minimize their chances of suffering losses.

The "Accident-free School" project, which began in 2012, had arisen out of the company's experience with "Accident and Liability Insurance for Senior High Schools and Below (Including Kindergartens)". After analyzing approximately 600 claims a year, we discovered that campus accidents were most frequent in "Elementary schools," which accounted for 50% of all incidents. This analysis prompted Cathay Century to approach elementary schools in enhancing children's safety by leveraging on our damage prevention expertise. We conducted safety inspections at 52 elementary schools in 2014, and identified an average of 4 areas of improvement per school; the most common problem for all schools across the country was the lack of safety protection. In future, this model of improvement in Taiwan can even be applied overseas to benefit more children.

In April 2014, we shared our extensive knowledge in applying traffic accident claims with the academia and created an "Accident-free Workshop" website dedicated to studying the nation's No. 1 cause of accidental death and improving life expectancy. Since most citizens are unaware of their own driving habits that are putting them at risk, Cathay Century worked with National Chiao Tung University in developing a "Driver Diagnosis" based on driving conditions in Taiwan. Furthermore, we discovered that more than 90% of driving accidents were caused by "human error", and much of it had to do with how existing driving tests had neglected actual road conditions; hence, we worked with the Central Police University in developing a "Danger Cognitive Exam" that would give drivers a more realistic driving scenario. By introducing both tests mentioned above, we hope to improve drivers' ability to recognize dangers lurking around them, and eventually reduce chances of traffic accidents.

Welcome to Cathay Century's "Accident-free



<http://carrisk.cathay-ins.com.tw/>

According to statistics compiled by the United Nations Development Programme, there is a total loss of US\$265 billion worldwide due to natural disasters in 2011; meanwhile, the World Bank recognized Taiwan as one of the most disaster-prone countries in terms of potential victims per unit of land and land area ratio of disaster exposure. In response to the frequent disasters, Cathay Century has been organizing Damage Prevention Seminars with joint efforts from business owners, the academia, and industry representatives since 2005 to help businesses achieve corporate sustainability. By the end of 2014, a total of 27 seminars were held and 1,452 businesses had participated so far. Participants have given an average satisfaction of 98%.

Furthermore, Cathay Century has introduced a "social credit" that all new recruits are required to complete over the course of their careers. The purpose of social credit is to utilize their own professional skills to contribute to our goal of minimizing risks for the public and for business entrepreneurs, therefore achieving a win-win situation.

Cathay's Major Changes #3: Supporting Social Enterprises

Unlike conventional businesses that primarily seek to maximize profits, social enterprises function differently. For such organizations, it is important to develop a commercial model not just for survival, but one that also contributes to society and environmental benefits. Recently, an increasing number of Taiwanese organizations have directed more attention to this issue, while the government officially became involved from 2014. However, Professor Yu-Yuan Kuan of National Chung Cheng University and Professor Chan Kam-tong of Hong Kong Polytechnic University have pointed out in their study that 50% of social enterprises in Taiwan have yet to become profitable, while a survey conducted by United Daily News Vision Project showed that only 19% of citizens have heard of the term "social enterprise". Evidently, social enterprises in Taiwan still require various ways of development and support.

We at Cathay have included social enterprises concept as part of our charity initiatives 8 years ago when we began sponsoring the Mixed Disability Troupe, and helping them to bring their inspirational stories to inmates and students in return for income. Starting from 2013, CUB has been purchasing festive gifts from Buy NearBy in an effort to reduce the disadvantages farmers would suffer during the traditional intermediary process. At the end of 2014, Cathay FHC began collaborating with ELIV that expanded its charity efforts towards Cambodia and gave Taiwanese youths a distinctive travel experience where they felt the real challenges from other countries, experiences they would not have had as tourists.

• ShoJio - expansion of benefit, create public welfare platform

Cathay believe that every little purchase we make can be consolidated into a massive force, and by purchasing directly from social enterprises, we help them become self-sustainable. In an attempt to bring a larger audience

to the stories social enterprises have to tell, Cathay Charity Foundation has been developing a website named "ShoJio" since 2014, which can be used to help social enterprises in terms of product marketing and promotions.

During the initial launch of the website, we encouraged our employees to consider purchasing from social enterprises gifts they might have to give to customers, in order to convey the organization's commitment to charity while in the meantime bringing the public's attention to the social enterprises at work.

Seeing the Real Challenges

We traveled to Cambodia with a mission to help build homes and conduct interviews. But I was so struck by what I saw that I did not know what questions to ask. I can't believe the old couple before me was living in the same era me, and I can't imagine how I could survive without knowing how to secure my next meal with just US\$7 of income per month only. It took me quite some time to clear my mind and straighten my thinking. I felt sad when they answered calmly that they had to accept the current living conditions. During our night sharing session, our team leader told us the reasons for having interviews and mentioned that it was not about showing people how good our lives are, but to expose us to the real world. At that instant, I stared at my team leader for quite some time before appreciating my purpose of coming to Cambodia.

Cathay United Bank Li OO
Abstract from Cathay employees'
home-building trip to Cambodia with ELIV

- After having tough building construction, all the ELIV international volunteers captured in front of self-built house



From Basic to Professional Sports

According to the 2014 Taiwan Sport Map published by the Health Promotion Administration, 76% of people aged 15 and above lacked adequate amounts of exercise. In order to raise the public's awareness on the importance of regular exercise, Cathay has introduced a series of sports promotion events targeted at children, high school students, and professional athletes. At the primary or junior high school level, NBA star Jeremy Lin and MLB star Chen Wei-Yin were invited to conduct training camps and it attracted many students to join. At the high school and university level, we have partnered with NBA to organize a 3-on-3 NBA Youth Madness tournament, and

took this opportunity to give young sports journalists an opportunity in conducting interview and thus allowing more teenagers to understand live sports. In terms of professional sports, Cathay has devoted significant resources into women basketball team training since 1996, which performed exceptionally in the WSBL tournament. Furthermore, a women's table tennis team was assembled in 2002 and trained for competition in world tournaments.

- Major League Baseball player Chen Wei-Yin demonstrates pitching techniques to young players during Cathay FHC's baseball camp.



Arts and Culture

Cloud Gate Dance Ensemble brought visibility to Taiwan's creative spirit, and now, Cathay is giving Taiwanese people the privilege to watch this world-class performance. For 19 years, Cathay has been sponsoring performances of Cloud Gate Dance Ensemble throughout Taiwan, even to remote areas like Kinmen, giving thousands of audience to experience world-class dance performances near their homes at no cost. As of 2014, the troupe has toured around 21 cities within Taiwan, and delivered more than 50 outdoor performances and attracted an audience of 2 million people.

With regards to aesthetics education, Cathay has been organizing children's drawing competition for 39 years and receives more than 50,000 entries each year. Meanwhile, the New Age Arts Exhibition is an event that has been organized for 14 years and creates a platform for youths to exhibit artistic creations. During the exhibition, a virtual gallery was created to give the public access to all competing works online. CUB has also been promoting local arts by creating professional art centers throughout the nation, and demonstrating how aesthetics can be incorporated as part of our lifestyle.

- Cathay FHC has organized children drawing competition for 39 years. In 2014, Cathay held an art educational travel and invited 70 children artists to expand their horizons.



Academic Cultivation

To motivate Taiwanese students to study hard and contribute back to society, the "2014 Wan-Lin Tsai Scholarship" offered NT\$100,000 to 106 selected students and organizations. A total of NT\$11,403,558 was paid under the scholarship during the year. In addition, the alumni association of scholarship winners held 7 seminars throughout Taiwan, during which experts from a number of fields were invited to share their experiences with students. The seminars will encourage students to be brave in pursuing their dreams and motivating them to work hard.

Cathay Charity Foundation has also been helping four college volunteer clubs since 2013. These volunteer groups were operated using corporate models to better plan and execute their services, and to ensure the quality and sustainability of their efforts without pressure to raise funds. In 2014, the foundation funded activities of 38 social organizations and covered insurance premiums for 95 action groups, sponsoring a total of 814 student volunteers to care for more than 2,500 people.

Disaster Relief

2014 was characterized by a number of memorable disasters, significantly raising the awareness of "Emergency Aid" in Cathay FHC's 2014 Stakeholder Survey.

Cathay Life offers two different disaster reliefs; one of which has been structured based on the company's "Policyholder Disaster Relief Service Guidelines", which provides policyholders with consultation, discounts and many other benefits at the first instance when a major disaster occurs. Cathay provides more benefits than any other peer in this respect. Moreover, in 2014, Cathay Life amended its "Major Disaster Claims and Response Policy" to include remedy payments so that Customer Care is fully implemented and customer's interests are fully safeguarded.

The other form of disaster relief, which is targeted at the general public, involves Linyuan Volunteers who are mobilized according to their "Disaster Relief Service Guidelines" to respond to any major disaster at the first instance, and assist local residents with reconstruction work.

In 2014, Cathay had mobilized volunteers to respond to the plane crash in Penghu and gas explosion in Kaohsiung. During the gas explosion incident, the Company had created a website dedicated to consolidating rescue information and care for the victims. In the aftermath of the disaster, a series of charity performances including three magic shows, one talent show and traditional opera by Ming Hwa Yuan were organized in 2015. Group volunteers also donated up to NT\$ 20,942,481 for the disaster victims.

9 Days in a Cathay Volunteer Vest

Typhoon "Matmo" pounded Taiwan on July 23. That night, I received a LINE message asking me to initiate the emergency response protocol, which woke me right out of bed. I went to my office as soon as possible to verify the list of victims with our policyholders and activated emergency response. At 01:00 am, we were able to establish most of the victim list with the help of Manager Ting and the service team. We then arranged a support trip to Magong, Penghu, where the accident had happened.

After the Penghu plane crash incident was settled, a gas explosion broke out in Kaohsiung, resulting in massive injuries. On the next day, we stationed ourselves at the temporary volunteer counter set up by Kaohsiung City Government, and offered our assistance to colleagues in the southern branches. I was moved when Premier Chiang of the Executive Yuan held my hand and said: "Cathay is everywhere," and it was then I realized how important our work is to the society.

Cathay Life Insurance Chen OO

Quotes from Cathay employees who helped relieve Penghu plane accident and Kaohsiung gas explosion

- Linyuan Volunteers immediately put on volunteer vest and went to front to assist the disaster relief headquarters when a major disaster happened in Taiwan



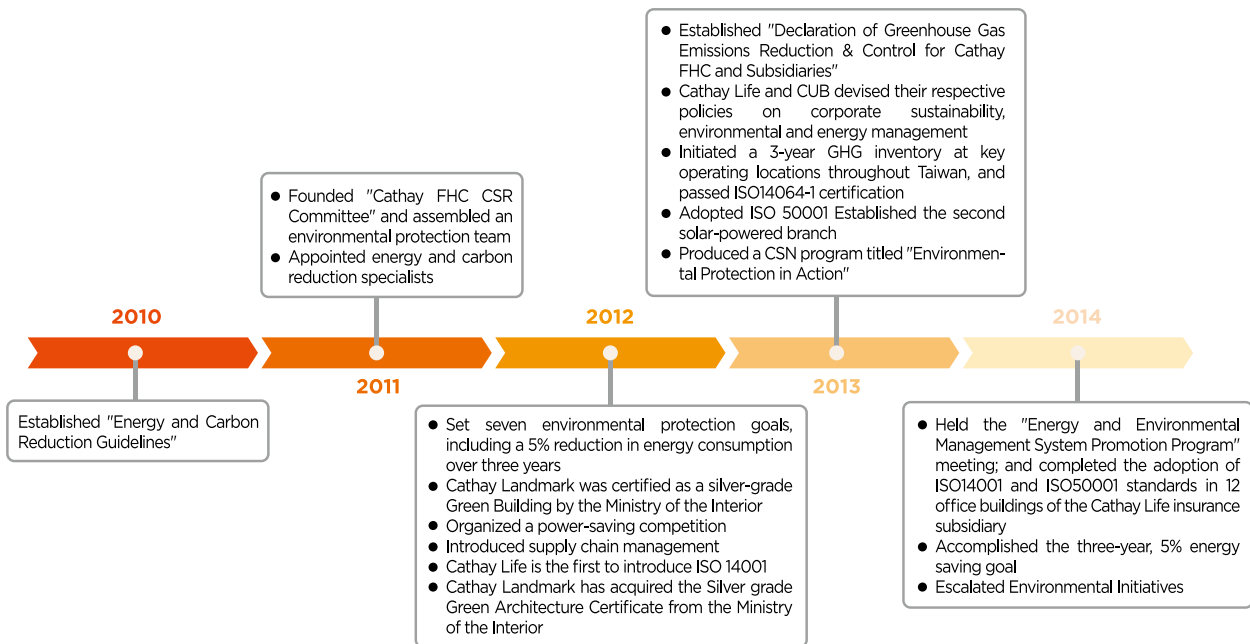
Services to Victims of Natural Disasters

1	Complimentary policy replacement
2	Renewal premium deferment
3	Policy loan interest deferment
4	Mortgage principal deferment for disaster victims
5	Express claim service
6	Advance payment of medical claims
7	Roadside assistance (for qualified policyholders)
8	24-hour customer service hotline
9	Home visits
10	Cathay volunteer service

Environmental Multiplier Effect

Utility services in Taiwan have long been underpriced compared to other countries. According to the International Energy Agency (IEA), Taiwan had the third lowest residential power rate among 34 countries in 2013. Meanwhile, a survey conducted by EPA Taiwan on water rates across 29 countries also revealed that water usage in Taiwan is being priced at one-fifth the average rate of 29 countries. Due to low utility rates, there has been little incentive for companies and individuals to conserve power, water, and resources. To contribute to the conservation

cause, Cathay has implemented its "Energy and Carbon Reduction Guidelines" since 2010, and introduced a variety of management targets, environmental systems, green financial products and services etc. to gradually extend its influence with respect to this issue. In 2014, Cathay was awarded the "ROC Enterprise Environmental Protection Award" by EPA Taiwan, making it the first winning financial institution in the 23-year history of this award.



Ongoing introduction of energy and environmental management system

Cathay Life had passed ISO 14001 ahead of its peers in 2012, and was later awarded an "Exemplar in Energy Management Systems" by the Bureau of Energy in 2013 for having demonstrated ISO 50001-compliant systems at its head office building and at Taichung Yuren Building. In September 2014, Cathay Life held its "Energy and Environmental Management System Promotion Program" meeting and made an announcement to expand the project so that it covers 10 other office buildings located at Taipei City, New Taipei City, Taoyuan City, Hsinchu City, Taichung City, Changhua City, Tainan City, and Kaohsiung City, in addition to the two existing buildings.

- In 2014, Cathay was awarded the "ROC Enterprise Environmental Protection Award" by EPA Taiwan, making it the first winning financial institution in the 23-year history of this award.



Greenhouse Gas (GHG) Inventory and Reduction

Cathay FHC had completed phase 1 of its GHG inventory in 2013 and was certified for ISO 14064-1. In 2014, we moved ahead of schedule and completed GHG inventory for 72.6% of our major service locations. We expect to

complete GHG inventory on all remaining service locations and introduce new energy management systems by 2015. Meanwhile, Cathay Securities is the first local securities firm to complete GHG inventory for its head office and all branches nationwide.

Expand GHG inventory



Scope 1 emission was emitted mainly by corporate vehicles and diesel-powered generators, and totaled 1,056.38 tons CO₂e in 2014 (Notes 1, 2 and 3). Scope 2 emission was mostly emitted due to electricity usage. The Company used 47,698,966 kilowatt-hours of electricity, which was equivalent to 24,898.86 tons of CO₂ emission. Other indirect sources of GHG emission included business trips and daily commuting. Electricity usage accounted for the majority of the Company's carbon emission (about 95.93%). The group's GHG emission intensity in 2014 was measured at 0.064 tons CO₂e/NTD million. Cathay will continue to devote itself to the efficient use of energy and strive to achieve its GHG reduction targets.

Note 1: According to GHG Emissions Coefficients Table (version 7.0.1) published by the Environmental Protection Administration in May 2015, the values for petroleum, diesel and diesel emissions indices were 2.361KgCO₂e/L, 2.615KgCO₂e/L and 2.651 KgCO₂e/L, respectively.

Note 2: Biodiesel has been estimated with a CO₂ coefficient of 1.683 tons CO₂/KL; methane has a coefficient of 0.0000713 tons CH₄/KL; nitrous oxide has a coefficient of 0.0000143 tons N₂O/KL.

Note 3: Petrodiesel and biodiesel made up 98 % (or 12.054 liters) and 2% (or 0.246 liters) of the 12.3-liter super diesel annual consumption of Cathay's emergency generators, respectively. That is, Cathay's consumption of non-renewable petrodiesel and biodiesel (i.e., a bioresource) resulted in GHG emissions of 0.03152 and 0.000001 metric tons of CO₂e, respectively.

● Cathay received the ISO 14064-1 certificate from British Standards Institution (BSI).



	2013 (Verified)	2014 (Verified)
Scope 1 Emissions (metric tons CO ₂ e)	883.91	1,056.38
Scope 2 Emissions (metric tons CO ₂ e)	11,942.01	24,898.86
Total Emissions (metric tons CO ₂ e)	12,825.92	25,955.24
Total Energy Consumption (GJ)	88,518.51	178,239.64
Energy Consumption Per Capita (GJ/ person)	17.87	24.80

Note 1: The number of employees in the scope of inventory were 4,954 in 2013, and 7,187 in 2014.

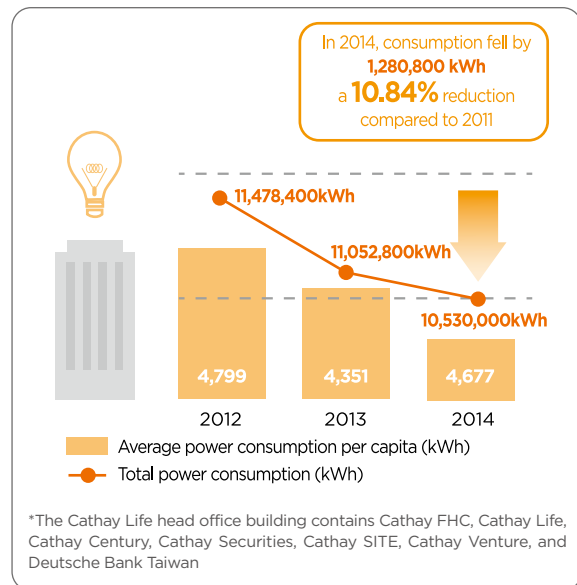
Note 2: Energy consumption per employee had increased in 2014 due to a change of scope in this year's survey (7 points increase to 24 points). This change of scope will be met by appropriate energy-saving measures.

● Saving 5% of energy consumption over 3 years

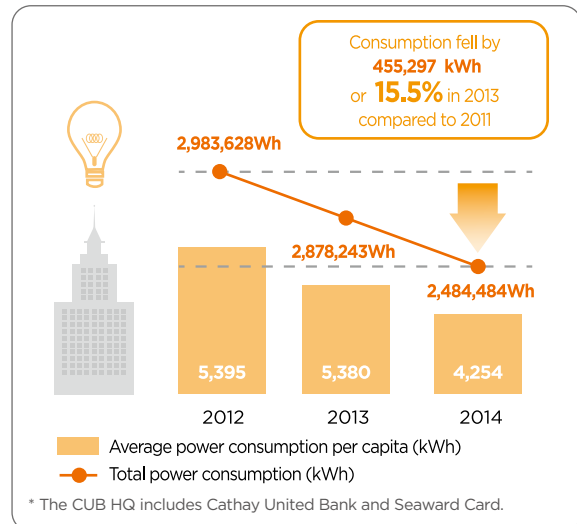
2012 to 2014 was the 3-year period that Cathay had

targeted to save 5% of its energy consumption. This project had been gradually expanded over the 3-year period to cover more business locations including 11 offices under Cathay Life, 10 offices under CUB, 11 offices under Cathay Securities, 1 office under Cathay SITE, 2 offices under Cathay Century, and 1 office under Cathay Venture. We had focused our energy-saving efforts on high energy consumption equipment such as air conditioning and lighting, and replaced those that were considered less energy efficient. In 2014, we had completed all 27 voluntary energy-saving measures, and saved 779,125 kilowatt-hours of electricity in total, which was 1886 kilowatt-hours more than initially planned. Over the 3-year period, the Company had saved energy use by 5.1%. Among the top achievers, Cathay Life Building managed to reduce electricity use by 522,800 kilowatt-hours in 2014 as compared to 2013, while the CUB headquarter delivered a 393,759 kilowatt-hour reduction in energy use. Total energy cost savings accounted for NTD 2,623,559.

● Power consumption at Cathay Life HQ building



● Power consumption at CUB HQ building



CUB Tianmu Branch, which was part of the 3-year, 5% energy saving project, was awarded "Taipei City Energy-Saving Label" because it improved its Energy Use Intensity (EUI) from 2013. In addition to the 3-year, 5%

energy saving project, the Company has also joined the "Energy Saving Patrol" founded by Epson and 13 branches under CUB were measured in 2014.

Solar Panels Atop Tainan Branch
27,336KW of power have been generated up until January 6, 2015.

ISO14001 and ISO50001 adopted in 12 office buildings

Taipei City Energy-Saving Label
CUB Tianmu Branch was awarded Energy-Saving Label in 2014, a total of 2 building and 1 branch obtained the said label.

Solar Panels Atop Mingcheng Branch
47,035KW of power have been generated up till January 7, 2015.

Cathay Landmark
Awarded "Silver Grade Green Building Certification" in 2012. Its energy-efficient design had prompted the Company to apply for "Gold Grade Green Building Certification" and "LEED Certification" in 2014.

Resource Management

In an office environment, resource conservation can only be achieved when all employees have the proper awareness towards environmental protection; given our vast employee base, it would take ongoing communication to develop this awareness. This was why Cathay FHC has created a CSN unit since 2013 to build environmental awareness with down-to-earth stories. In addition, a number of specialists were appointed to share with employees on prominent environmental issues such as the purpose and implications of environment certifications.

● Building a paperless workplace

Cathay FHC and subsidiaries are highly committed in building a paperless workplace. For example, Cathay Life, being the largest paper user in the group, was able to save 13.27 million sheets of paper, equal to 1,327 trees, in 2014 with the launch of mobile insurance services, thereby reducing CO2 emissions by 4,344 tons, which was 11.2 times the carbon absorption capacity of Da'an Forest Park. In light of this success, the Company and its subsidiaries have prioritized their paper-saving efforts by promoting the use of e-Billing statements.

● Subsidiaries' progress towards a paperless environment

Year	Cathay Life	CUB	Cathay Century	Cathay SITE	Cathay Securities
Indicator	Proportion of mobile insurance applications in new contracts	Proportion of electronic statements compared to physical statements issued	The number of online insurance applications and the growth rate over the previous year	The number of electronic transactions and the growth rate over the previous year	The proportion of electronic order placements
2013	76.9%	18.66%	10,617 applications were made, representing a 64.5% growth over 2012.	707,000 transactions were place, representing a 12% growth over 2013	74.67%
2014	86.6%	21.16%	28,885 applications were made, representing a 172% growth over 2013	813,000 transactions were place, representing a 15% growth over 2013	79.29%

● **Resource recycling and reuse**

In 2014, Cathay especially focused on promoting the idea to "recycle, reuse, and reduce" resources in addition to its existing campaigns. Hiking and competitions were some of the events organized in relation to this cause, and the relevant progress is presented in the following table.

The following table shows recycling activities within Cathay Life and CUB buildings in 2014.

● **Water consumption**

Cathay Life's head office building used 60,238 tons of water in 2014, which represented a 2,228-ton increase over 2013 and averaged 24.8 tons per person; meanwhile, CUB's head office building used 19,953 tons of water in 2014, which represented a 2,494-ton increase over 2013 and averaging 34.1 tons per person. Given the world's increasing awareness on the use of water resources, in 2014 Cathay FHC had spent 14% of its procurement budgets on products that were certified for water efficiency.

● **2014 Recycling Statistics of Events (kg/year)**

Event Sessions	Paper	Aluminum Cans	PET Bottles	Glass Bottles	Batteries	Discs	Juice Cartons
10 Sessions	696	83	237	4	141	58	137

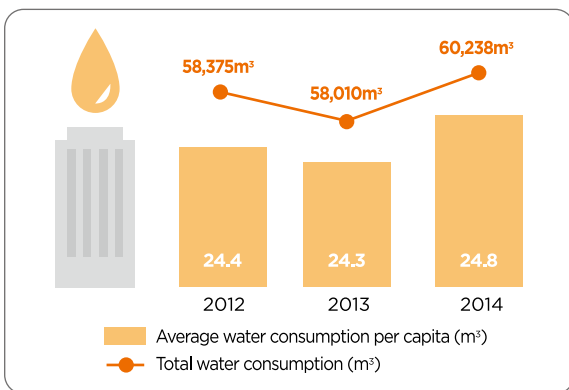
● **Cathay Life HQ Recycling (kg/year)**

Recyclables	Batteries	Paper	Plastics	Articles of Metal
2013	1,347	48,360	807	559
2014	42	47,230	877	624

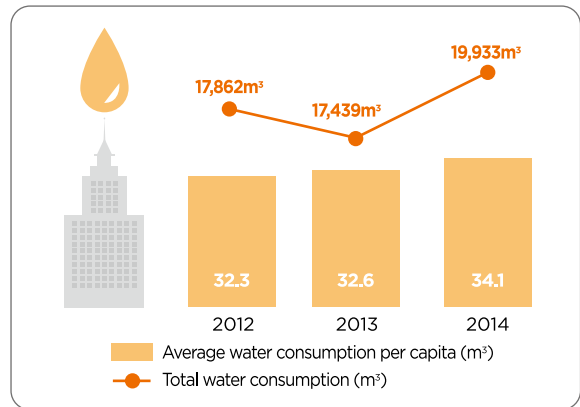
● **CUB HQ Recycling (kg/year)**

Recyclables	Batteries	Paper	Plastics	Irons equipment
2014	5	13,520	1,645	106

● **Cathay Life HQ water usage**



● **CUB HQ water usage**



● **Environmental awareness courses**

To educate employees on environmental issues, Cathay has a team of instructors specialized in conveying the latest ideas involving environmental protection, energy conservation, and carbon reduction. Furthermore, external experts are invited to give speeches from time to time. In September and October 2014, Cathay joined the Taipei City Department of Environmental Protection in organizing a series of environmental training, during which employees were taught on ethics and responsibilities towards the environment, as well as ways of ensuring sustainability to foster an environmentally aware citizenry and an environmental learning community.

● **Employees of Cathay FHC at Taipei City Corporate Environment Training**



● **Green Initiatives**

● **Climate change initiatives**

In July 2014, Cathay FHC sponsored and mobilized volunteers to assist the "Reusable Energy Workshop" organized by Taiwan NGO Social Enterprise Co., Ltd. The workshop invited scholars, experts and NGOs from different fields of expertise to discuss Germany's experience of renewable energy and how it could be applied to address Taiwan's existing challenges. Furthermore, we have also been sponsoring the initiatives undertaken by the Environmental Protection Administration, Executive Yuan, to communicate with the public on the impact of climate changes.

● Cathay FHC sponsoring the "Reusable Energy Workshop" organized by Taiwan NGO Social Enterprise Co., Ltd.



● Recycling initiatives

For two consecutive years, Cathay FHC has been hosting the "Family DIY Environmental Protection Carnival," during which it invited the public to participate in resource recycling. In the meantime, Cathay Life also participated in the 2014 "Taipei City Urban Recycling Program" organized by the Taipei City Department of Environmental Protection. Cathay Life was the industry representative for the 2014 event and conducted a charity auction of organic crops as part of its efforts toward environmental protection.

● Family DIY Environmental Protection Carnival - with Cathay FHC



● Cathay Life was awarded corporate representative for Taipei City Urban Recycling Program



● Ecosystem initiatives

Cathay has been organizing tree-planting events on a regular basis since 2011 was declared the International Year of Forests. More than 10 events are being held each year, and so far the group has planted nearly 30,000 seedlings in various parts of Taiwan. In October 2014, Cathay FHC organized a weeding trip to Guandu Wetland where employees were taught the values of preserving wetlands and on environmental education.

● Cathay FHC hosted an event to preserve Guandu Wetland





APPENDIX

- GRI (Global Reporting Initiative) G4.0 Table
- United Nations Global Compact Principles
- ISO 26000 Index
- Taiwan Stock Exchange Corporation "Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies"
- Opinions, Assurance and Certification of External Third Parties

GRI (Global Reporting Initiative) G4.0 Table

General Standard Disclosures

GRI G4 Index		Corresponding Section	Related Report Page(s)
Strategy and Analysis			
G4-1	Statement from the most senior decision-maker	Age of transformation	3-4
Organizational Profile			
G4-3	Name of the organization	Information about this report	1
G4-4	Name of the organization	Information about this report	1
G4-5	Location of organization's headquarters	Information about this report	1
G4-6	Number/Names of countries where the organization operates	Transparency	18
G4-7	Nature of ownership and legal form	Transparency	18
G4-8	Market served	Transparency	18
G4-9	Scale of organization	Scope of the report	1
G4-10	Breakdown of workforce	Addressing future talent requirements	25
G4-11	Percentage of total employees covered by collective bargaining agreements	Addressing future talent requirements	25
G4-12	Describe the organization's supply chain	accountability	22
G4-13	Significant changes during the reporting period	Information about this report/ accountability	1/20-21
Commitment to external issues			
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	Public opinions and strategic decisions	9-10
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Accountability	20-21
G4-16	Memberships in associations	Accountability	20-21
Identified Material Aspects and Boundaries			
G4-17	Report coverage of the entities in the consolidated financial statement	Transparency	18
G4-18	Process for defining the report content and the aspect boundaries	Changes of key issues in 2014	7-9
G4-19	List all the material Aspects identified in the process for defining report content	Changes of key issues in 2014	7-9
G4-20	List all the material Aspects identified in the process for defining report content	Changes of key issues in 2014	7-9
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	Changes of key issues in 2014	7-9
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	Changes of key issues in 2014	7
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	Changes of key issues in 2014	7-9
Commitment to external issues			
G4-24	List of stakeholder groups engaged by the organization	Changes of key issues in 2014	9
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	Changes of key issues in 2014	7

G4-26	Approaches to stakeholder engagement	Public opinions and strategic decisions	9-10
G4-27	Approaches to stakeholder engagement	Public opinions and strategic decisions	9-10
Report Profile			
G4-28	Reporting period	Information about this report	1
G4-29	Date of most recent previous report	Information about this report	1
G4-30	Reporting cycle	Information about this report	1
G4-31	Contact point for questions	Information about this report	1
G4-32	In accordance' option, the GRI content index and external assurance	Information about this report	1
G4-33	Policy and current practice regarding external assurance	Information about this report	1
Governance			
G4-34	Governance structure	Enhancing the foundation of integrity	13
Ethics and Integrity			
G4-56	Codes of conduct and codes of ethics	Building the foundation of integrity	13

Specific Standard Disclosures

Aspect	DMA & Indicator	Corresponding Section	Related Report Page(s)
Economic Performance	DMA Aspect-specific Disclosures on Management Approach (Financial Service)	Transparency/Products driven by social issues	18/37-38
	EC1 Direct economic value generated and distributed	Transparency	17
	EC2 Risks and opportunities due to climate change	Products driven by environmental issues	35-36
Market Presence	DMA Generic Disclosures on Management Approach	Addressing future talent requirements	25
	EC5 Entry level wage by gender compared to minimum wage	Addressing future talent requirements	25
	EC6 Proportion of senior management hired from local community at significant location of operation	Addressing future talent requirements	25
Indirect Economic Impacts	DMA Aspect-specific Disclosures on Management Approach	Changes of key issues in 2014	7
	EC8 Significant indirect economic impacts, including the extent of impacts	Changes of key issues in 2014	7
Anti-corruption	DMA Generic Disclosures on Management Approach	Enhancing the foundation of integrity	15
	SO3 Operations assessed for risks related to corruption and the significant risks identified	Fraud prevention	15
	SO4 Communication and training on anti-corruption policies and procedures	Fraud prevention	15-16
	SO5 Confirmed incidents of corruption and actions taken	Fraud prevention	15-16
Product Portfolio	FS1/DMA Policies with specific environmental and social components applied to business lines	Products driven by environmental issues/social initiatives transformation	35-36/41
	FS2/DMA Procedures for assessing and screening environmental and social risks in business lines	Products driven by environmental issues/social initiatives transformation	35-36/41
	FS3/DMA Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Enhancing the foundation of integrity	16
	FS4/DMA Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	Extending the scope of supply chain management	22
	FS5 Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	Extending the scope of supply chain management	22
	FS6 Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/ large) and by sector	Transparency	17-18
	FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Products driven by social issues	37-38

Product Portfolio	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Products driven by environmental issues	35-36
Audit	FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Transparency	17
Active Ownership	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	Extending the scope of supply chain management	22
	FS11	Percentage of assets subject to positive and negative environmental or social screening	Products driven by social issues	37-38
	FS12	Voting policies applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	Extending the scope of supply chain management	37-38
Investment (Social Performance)	DMA	Generic Disclosures on Management Approach	Addressing future talent requirements	25
	HR1	Significant investment agreements and contracts that include human rights clauses or that underwent human right screening	Addressing future talent requirements	25-26
	HR2	Total hours of employee training on human rights policies or procedures	Addressing future talent requirements	28-29
Local Communities	FS13	Access points in low-populated or economically disadvantaged areas by type	Products inspired by social issues	37-38
	FS14	Initiatives to improve access to financial services for disadvantaged people	Products inspired by social issues	37-38
Product and Service Labeling	DMA	Access points in low-populated or economically disadvantaged areas by type	Response to needs of customers, environment and the society	31-33
	PR3	Product information required by procedures	Response to needs of customers, environment and the society	32-34
	PR5	Results of surveys measuring customer satisfaction	Response to needs of customers, environment and the society	32
	FS15	Policies for the fair design and sale of financial products and services	Products driven by social issues	37-38
	FS16	Initiatives to enhance financial literacy by type of beneficiary	Products driven by social issues	37-38
Marketing Communications	DMA	Generic Disclosures on Management Approach	Response to needs of customers, environment and the society	31-32
	PR6	Sale of banned or disputed products	Response to needs of customers, environment and the society	31-32
	PR7	Non-compliance with regulations and voluntary codes concerning marketing communication, including advertising, promotion, and sponsorship	Response to needs of customers, environment and the society	31-32
Customer Privacy	DMA	Generic Disclosures on Management Approach	Response to needs of customers, environment and the society	32-33
	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Response to needs of customers, environment and the society	32-33
Non-discrimination	DMA	Generic Disclosures on Management Approach	Addressing future talent requirements	30
	HR3	Actions taken in incidents of discrimination	Addressing future talent requirements	30
Assessment (Social Performance)	DMA	Generic Disclosures on Management Approach	Addressing future talent requirements	25-27
	HR9	Operations have been subject to human rights reviews or impact assessments	Addressing future talent requirements	25-27
Employment	DMA	Generic Disclosures on Management Approach	Addressing future talent requirements	25
	LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Addressing future talent requirements	27
	LA2	Benefits provided to full-time employees that are not provided to temporary or part time employees	Addressing future talent requirements	29
	LA3	Return to work and retention rates after parental leave, by gender	Addressing future talent requirements	30
Labor/ Management Relations	DMA	Addressing future talent requirements	Addressing future talent requirements	29
	LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Addressing future talent requirements	29

Training and Education	DMA	Generic Disclosures on Management Approach	Addressing future talent requirements	26-29
	LA9	Average hours of training per year per employee by gender, and by employee category	Addressing future talent requirements	27
	LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Addressing future talent requirements	27-29
	LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Addressing future talent requirements	28-29
Diversity and Equal Opportunity	DMA	Generic Disclosures on Management Approach	Addressing future talent requirements	30
	LA12	Composition of governance bodies and employee breakdown	Addressing future talent requirements	26
Product and Service	DMA	Generic Disclosures on Management Approach	Products driven by environmental issues	35-36
	EN27	Mitigation of environmental impacts of products and services	Products driven by environmental issues	35-36
Overall (Environmental Performance)	DMA	Generic Disclosures on Management Approach	Extending the scope of supply chain management	22
	EN31	Total environmental protection expenditures and investments by type	Extending the scope of supply chain management	22
Energy	DMA	Aspect-specific Disclosures on Management Approach	Environmental Multiplier Effect	46-47
	EN3	Energy consumption within the organization	Environmental Multiplier Effect	47
	EN5	Energy intensity	Environmental Multiplier Effect	47
	EN6	Reduction of energy consumption	Environmental Multiplier Effect	46-47
	EN7	Reductions in energy requirements of products and services	Products driven by environmental	35-36
Emissions	DMA	Aspect-specific Disclosures on Management Approach	Environmental Multiplier Effect	47
	EN15	Direct greenhouse gas emissions (scope 1)	Environmental Multiplier Effect	47
	EN16	Energy indirect greenhouse gas emissions (scope 2)	Environmental Multiplier Effect	47
	EN17	Other indirect greenhouse gas emissions (scope 3)	Environmental Multiplier Effect	47
	EN18	Greenhouse gas emissions intensity	Environmental Multiplier Effect	47
	EN19	Reduction of greenhouse gas emissions	Environmental Multiplier Effect	47

United Nations Global Compact Principles

Category	Main issues	Corresponding Section	Related Report Page(s)
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights;	Addressing future talent requirements	30
	Make sure that they are not complicit in human rights abuses.	Addressing future talent requirements	30
	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Addressing future talent requirements	30
Labor	The elimination of all forms of forced and compulsory labor;	Addressing future talent requirements	30
	The effective abolition of child labor; and	Addressing future talent requirements	30
	The elimination of discrimination in respect of employment and occupation.	Addressing future talent requirements	30
Environment	Businesses should support a precautionary approach to environmental challenges;	Environmental impacts	46-47
	Undertake initiatives to promote greater environmental responsibility; and	Environmental impacts	46-47
	Encourage the development and diffusion of environmentally friendly technologies.	Environment-related products	35-36
Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery.	Integrity	15-16

ISO 26000 Index

Category	Core Subjects and Issues	Corresponding Section	Related Report Page(s)
Organizational governance	Decision-making and implementation systems	Enhancing foundation of integrity	13
Human Rights	Due diligence	Addressing future talent requirements	25
	Human rights risk situations	Addressing future talent requirements	29
	Avoidance of complicity	Integrity	14-15
	Resolving grievances	Addressing future talent requirements	29-30
	Discrimination and vulnerable groups	Addressing future talent requirements	30
	Civil and political rights	Addressing future talent requirements	30
	Economic, social and cultural rights	Addressing future talent requirements	29-30
	Fundamental principles and rights at work	Addressing future talent requirements	25-26
Labor practices	Employment and employment relationships	Addressing future talent requirements	25-26
	Conditions of work and social protection	Addressing future talent requirements	25-26
	Social dialogue	Addressing future talent requirements	28-30
	Health and safety at work	Addressing future talent requirements	30
	Human development and training in the workplace	Addressing future talent requirements	28-29
The environment	Prevention of pollution	Environmental Multiplier Effect	46
	Sustainable resource use	Environmental Multiplier Effect	48-49
	Climate change mitigation and adaptation	Environmental Multiplier Effect	49-50
	Protection of the environment, biodiversity and restoration of natural habitats	Green initiatives	49-50
Fair operating practices	Anti-corruption	Enhancing foundation of integrity	15
	Responsible political involvement	Enhancing foundation of integrity	15
	Fair competition	Enhancing foundation of integrity	15
	Promoting social responsibility in the value chain	Extending the scope of supply chain management	22
	Respect for property rights	Response to needs of customers, the environment and the society	32
Consumer issues	Fair marketing, factual and unbiased information and fair contractual practices	Response to needs of customers, the environment and the society	31-32
	Protecting consumers' Health and safety	Response to needs of customers, the environment and the society	31-32
	Sustainable consumption	Environmental Multiplier Effect/ New social initiatives	46/ 41-44
	Consumer service, support, and complaint and dispute resolution	Response to needs of customers, the environment and the society	31-33
	Consumer data protection and privacy	Response to needs of customers, the environment and the society	31-33
	Access to essential services	Response to needs of customers, the environment and the society	31-33
	Education and awareness	Social initiative Transformation	41-44
Community involvement	Community involvement	Social initiative Transformation	41-42
	Education and culture	Social initiative Transformation	41-42
	Employment creation and skills development	Addressing future talent requirements	25-27
	Technology development and access	Response to needs of customers, the environment and society	33-35


	Wealth and income creation	Extending the scope of supply chain management	22
	Educational and cultural promotion	Social initiative Transformation	41-44
	Health	Social initiative Transformation	41-44
	Social investment	Accountability	20-21

Taiwan Stock Exchange Corporation "Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies"

Category	Main issues	Corresponding Section	Related Report Page(s)
Environment	Environmental policies on financial products or services	Produce driven by environmental issues	35
Social	Social policies on financial products or services	Produce driven by social issues	37
Human rights	Number of non-managerial staff, amount of employee welfare expenses, and differences from the previous year	Addressing future talent requirements	25
Vendors	Incentives to customers or other counterparties for accommodating social requirements of a financial/insurance company	Extending the scope of supply chain management	22
	Incentives to customers or other counterparties for accommodating social requirements of a financial/insurance company	Produce driven by social issues	37-38

Opinions, Assurance and Certification of External Third Parties

• Limited Assurance Report of Independent Accountants



Limited Assurance Report of Independent Accountants

To Cathay Financial Holding Co., Ltd.

We have been engaged by Cathay Financial Holding Co., Ltd (hereafter referred to as the "Company") to perform assurance procedures on the selected sustainability performance information reported in the 2014 Corporate Sustainability Report (hereafter referred to as the "CSR Report"), and issue a limited assurance report based on the result of our work performed.

Information assured and reporting criteria
The sustainability performance information selected by the Company (hereafter referred to as the "Selected Information") and their respective reporting criteria are stated in the "Summary of Information Assured" on page 57 of the CSR Report.


Management's responsibilities
The Management of the Company is responsible for preparing and reporting the CSR Report and sustainability performance information in accordance with respective appropriate reporting criteria. The Management is also responsible for establishing relevant processes, information systems, and internal controls to prevent the CSR Report and sustainability performance information from material misstatements.

Our responsibilities
We conducted our assurance work on the Selected Information included in the CSR Report in accordance with the Statement of Assurance Standard No.1 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" in the Republic of China to identify whether the aforementioned information is not prepared, in all material aspects, in accordance with respective reporting criteria, and issue a limited assurance report based on the result of our work. We do not provide any assurance on the CSR Report as a whole or on the design or operating effectiveness of the relevant internal controls. In addition, except for those stated in the "Summary of Information Assured", information relating to the year ended December 31, 2013 and earlier periods have not been assured by us.

Quality control requirement
We applies Statements of Auditing Standard No 46."Quality Control for Public Accounting Firms" in the Republic of China and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Compliance of independence and ethical principles
In conducting our engagement, we have complied with the applicable requirements of the Code of Ethics for Professional Accountants, including integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

寶誠聯合會計師事務所 PricewaterhouseCoopers, Taiwan
11012 台北市信義區基隆路一段333號27樓 / 27F, 333, Xinyi Road, Sec. 1, Xinyi Dist., Taipei City 11012, Taiwan
T: +886 (2) 2759 6666, F: + 886 (2) 2757 6371, www.pwc.com/tw



Summary of work performed
We conducted our assurance work on the Selected Information within the Company. The procedures include:

- Read the CSR Report.
- Inquire the personnel responsible for providing the sustainability performance information to understand and evaluate the processes, internal controls and information systems relating to the preparation of the aforementioned information.
- Based on the understanding and evaluation above, carry out analytical review procedures on the sustainability performance information. If deemed necessary, perform selective testing to obtain evidence of limited assurance.

The determination of the procedures performed above is based on our professional judgement, including identifying the areas where there may be risks of material misstatement of the Selected Information, and for those areas, designing and implementing procedures to obtain limited assurance to draw our conclusion. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent limitations
Certain Selected Information involves non-financial data which is subject to more inherent limitations than financial data. Qualitative interpretations of the relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

Limited assurance conclusion
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information referred to in the second paragraph is not prepared, in all material respects, in accordance with their respective reporting criteria.

Other
The Management of the Company is responsible for maintaining the Company's website. If the Selected Information or related reporting criteria are changed after this limited assurance report is issued, we are not obliged to re-perform the assurance work.

PricewaterhouseCoopers, Taiwan

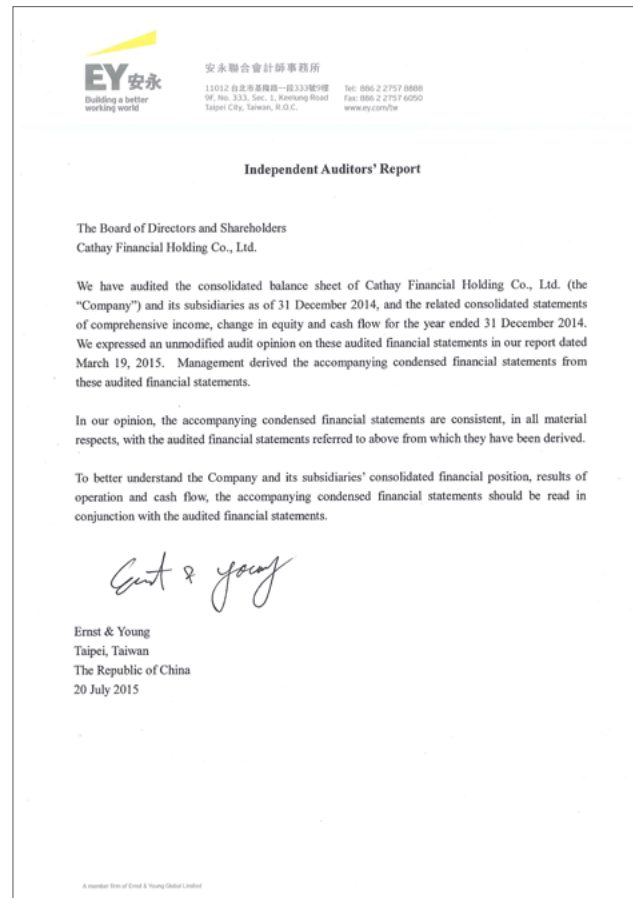
PricewaterhouseCoopers, Taiwan
August 13, 2015

• Summary of information assured


Selected information	Selected information content	Reporting criteria	Chapter
Changes of Material Issues in 2014	In 2014, the process that the Company uses for defining report content and aspect boundaries	Refer to P.7-P.9	Changes of Material Issues in 2014
Cathay Life product review meetings	A total of 94 product review meetings were held within Cathay Life in 2014.	In 2014, the number of total product review meetings held by Cathay Life. 【P.32】	Response to Needs of Customers, the Environment and Society
Ratios of standard entry level wage by gender compared to local minimum wage	In 2014, entry-level back-end employees were paid an average of 2.85 times the statutory minimum monthly salary.	Refer to P.25	Addressing Future Talent Requirements
Total number of new employees hires and employee turnover by age group, gender and region	<ul style="list-style-type: none"> New Recruit Statistics (Total number of new employees hires and employee turnover by age group, gender and region) Cathay Employee Turnover Rate (Total number of new employees turnover by age group, gender and region) 	The total number of new employees hires and turnover: At December 31, 2014, the numbers of new employees hires and turnover in the human resource system by age group, gender and region. 【P.27】 【P.31】	Addressing Future Talent Requirements
Board performance indicator	The Company has implemented a set of "Director Performance Evaluation Guidelines" and "Director Remuneration Guidelines". Directors' performances are evaluated based on how they have supervised Company's CSR.	Refer to P.14	Integrity
GHG emission intensity	In 2014, the group's GHG emission intensity in 2014 was measured at 0.064 tons CO ₂ e/NTD million.	The GHG emission, scope 1 and scope 2, from 27 operating sites inventoried in accordance with ISO 14064-1 and assured in accordance with ISO 14064-3 divided by 2014 consolidated total income. 【P. 47】	Environmental Multiplier Effect
Disability trust	In 2014, CUB had successfully helped 12 families create disability trust for family members who required special care.	The total disability trusts were insured by CUB. 【P. 37】	Response to Needs of Customers, the Environment and Society
Accident-free School project	Till 2014, Cathay Century Insurance had conducted safety inspections at 52 elementary schools, and identified an average of 14 areas of improvement per school	<ul style="list-style-type: none"> Till December 31, 2014, total elementary schools had been inspected by Cathay Century Insurance according to CNS12642 "CHILDREN'S PLAYGROUND SAFETY INSPECTION AND TRAINING SERVICE" and American Society for Testing and Materials F1487-11 "Standard Consumer Safety Performance Specification for Playground Equipment for Public Use" The total improvement items in the inspection reports divided by total number of inspected elementary schools. 【P. 43】 	Social Initiatives Transformation
Customer Satisfaction	<ul style="list-style-type: none"> In 2014, CUB's overall performance of phone service is 89.1% In 2014, Cathay Securities' overall performance of phone service is 89.8% 	Refer to P.32	Response to Needs of Customers, the Environment and Society
Solar energy equipment loans	As of 2014, CUB had financed 139.9 million watts of solar power capacity. The group has financed locally and overseas 876 solar power stations.	<ul style="list-style-type: none"> Domestic financed capacity: Till December 31, 2014, the sum of capacities from the projects with approval documents issued by Bureau of Energy or foreign governments and financed by CUB head office and all domestic branches. Solar power stations: Till December 31, 2014, the number of those stations approved by Bureau of Energy or foreign governments. 【P. 35】 	Response to Needs of Customers, the Environment and Society
Green vehicle insurance	By 2014, a total of 2055 vehicles were insured under the "environmentally friendly vehicles" scheme.	The numbers of vehicles that met specifications provided by Taiwan Insurance Institute were insured by Cathay Century Insurance. 【P. 36】	Response to Needs of Customers, the Environment and Society
Green procurement	The amount of green purchases in 2014 was \$270 million.	In 2014, the purchase amount of items listed on P. 22	Accountability

Financial Statement Auditing-Ernst&Young

• Independent Auditors' Report



Independent Assurance Opinion Statement by BSI



Opinion Statement


Greenhouse Gases Emissions
Verification Opinion Statement

This is to verify that: Cathay Financial Holdings and its subsidiaries. 國泰金融控子公司
No. 296, Sec. 4, Ren Ai Road 臺灣
Da an Dist. 台北市
Taipei City 大安區
Taiwan 仁愛路四段 296 號

Hold Statement No: GHGEV 983

Verification opinion statement
As a result of carrying out verification procedures, it is the opinion of BSI with reasonable assurance that:

- The Greenhouse Gas Emissions with the Cathay Financial Holdings and its subsidiaries for the period from 01/01/2014 to 31/12/2014 is 25,907.536 tonnes of CO₂ equivalent, including scope 1 emissions 1,056.375 tCO₂ equivalent and scope 2 emissions 24,851.161 tCO₂ equivalent.
- No material misstatements for the year 2014 Greenhouse Gas Emissions calculation were revealed.
- Data quality was considered acceptable in meeting the principles as set out in ISO/CNS 14064-1:2006.


For and on behalf of BSI: 
Managing Director BSI Taiwan, Peter Pu

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By Royal Charter

Statement No: GHGEV 983

Location: Cathay Financial Holdings and its subsidiaries. No. 296, Sec. 4, Ren Ai Road Da an Dist. Taipei City Taiwan 國泰金融控子公司 臺灣 台北市 大安區 仁愛路四段 296 號

Verification Information: The Greenhouse Gas Emissions with the Cathay Financial Holdings and its subsidiaries for the period from 01/01/2014 to 31/12/2014 is 25,907.536 tonnes of CO₂ equivalent, including scope 1 emissions 1,056.375 tCO₂ equivalent and scope 2 emissions 24,851.161 tCO₂ equivalent.

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• Condensed Consolidated Balance Sheet and Condensed Consolidated Statement of Comprehensive Income

Cathay Financial Holding Co., Ltd. and Subsidiaries
Condensed Consolidated Balance Sheet
(Derived from audited Consolidated Balance Sheet as at 31 December 2014)
As at 31 December 2014

(Expressed in thousands of New Taiwan Dollars)

Item	Amount	2014 The Report index
Cash and cash equivalents	\$435,006.6	
Due from the Central Bank and call loans to banks	151,289.0	
Financial assets at fair value through profit or loss	223,007.2	
Available-for-sale financial assets - net	1,405,300.2	
Derivative financial assets for hedging	665.4	
Securities purchased under agreements to resell	56,515.2	
Receivables - net	134,368.4	
Current income tax assets	7,374.2	
Loans - net	1,812,773.6	
Reinsurance assets - net	6,377.0	
Held-to-maturity financial assets - net	81,658.5	
Investments accounted for using the equity method - net	4,546.7	
Other financial assets - net	2,131,815.3	
Investment properties - net	338,337.0	
Property and equipment - net	92,877.6	
Intangible assets - net	9,283.0	
Deferred tax assets - net	16,245.5	
Other assets - net	37,561.4	
Total assets	\$6,945,001.8	P.18
Due to the Central Bank and call loans from banks	\$58,816.4	
Bankers acceptances and funds borrowed	1,585.9	
Financial liabilities at fair value through profit or loss	108,286.2	
Securities sold under agreements to repurchase	62,021.9	
Commercial paper payable - net	26,790.0	
Payables	50,417.2	
Current income tax liabilities	237.6	
Deposits	1,702,302.1	
Bonds payable	107,614.0	
Provisions	3,801,526.9	
Other financial liabilities - net	543,280.0	
Deferred tax liabilities	27,171.8	
Other liabilities	16,630.8	
Total liabilities	6,506,680.8	
Capital stock	125,632.1	
Capital surplus	88,782.3	
Retained earnings	163,197.4	
Other equity	55,069.3	
Equity attributable to owners of parent	432,681.1	
Non-controlling interests	5,639.9	
Total equity	\$438,321.0	P.18

Cathay Financial Holding Co., Ltd. and Subsidiaries
Condensed Consolidated Statement of Comprehensive Income
(Derived from audited Consolidated Statement of Comprehensive Income for the year ended 31 December 2014)
For the year ended 31 December 2014

(Expressed in thousands of New Taiwan Dollars unless otherwise stated)

Item	Amount	2014 The Report index
Interest income	\$141,353.9	
Interest expenses	(16,271.1)	
Net interest income	125,082.8	
Net income other than interest	282,292.7	
Total income	407,375.5	
Bad debt expenses and provision for premiums reserve	(2,982.4)	
Changes in insurance liabilities and provisions	(290,800.0)	
Operating expenses	(57,350.4)	
Profit before income tax from continuing operations	56,242.7	
Income tax expense	(6,458.1)	
Profit after income tax from continuing operations	49,784.6	
Net income	49,784.6	P.18
Other comprehensive income, net of tax	26,185.7	
Total comprehensive income	\$75,970.3	
Net income attributable to owners of parent	\$49,522.4	
Net income attributable to non-controlling interests	\$262.2	
Total comprehensive income attributable to owners of parent	\$75,312.4	
Total comprehensive income attributable to non-controlling interests	\$657.9	
Basic earnings per share (expressed in New Taiwan Dollars)	\$3.94	P.18
Book value per share (expressed in New Taiwan Dollars)	\$34.44	P.18

