Cathay United Bank
Financial Statements
For The Three-Month Periods Ended
March 31, 2007 and 2008
With Independent Auditors' Review Report

The reader is advised that these financial statements have been prepared originally in Chinese. These financial statements do not include additional disclosure information that is required for Chinese-language reports under the "Regulations Governing the Preparation of Financial Reports by Public Banks" and related regulations by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan, Republic of China. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language financial statements shall prevail.

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English Translation of Report Originally Issued in Chinese

Independent Auditors' Review Report

The Board of Directors
Cathay United Bank

We have reviewed the accompanying balance sheets of Cathay United Bank (the "Bank") as of March 31, 2007 and 2008, and the related statements of income and cash flows for the three-month periods ended March 31, 2007 and 2008. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a review report on these financial statements based on our review.

Our review was made in accordance with the Statement for Auditing Standards No. 36 "Review of Financial Statements" generally accepted in the Republic of China ("ROC"), which consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the ROC, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the "Business Entity Accounting Act", the "Regulation on Business Entity Accounting Handling" with respect to financial accounting standard, the "Regulations Governing the Preparation of Financial Reports by Public Banks", the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the ROC.

As discussed in Notes I and XI to the financial statements, the Bank merged with Lucky Bank since January 1, 2007. Because the Bank and Lucky Bank are both 100% owned subsidiaries of Cathay Financial Holding Co., Ltd., the accounting of this merger was treated as a reorganization, and the financial statements of the Bank have been retroactively restated assuming the Bank and Lucky Bank had been merged at the beginning of each of the periods presented.

Ernst & Young

ERNST & YOUNG
Taipei, Taiwan
The Republic of China
April 18, 2008

Notice to Readers
The accompanying financial statements are intended only to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the ROC and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the ROC.

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank

Balance sheets

March 31, 2007 and 2008

(Expressed in thousands of dollars)

(Reviewed, not audited)

		March 31, 2007		March 31, 2008	
ASSETS	NOTES	NT	US (Note II)	NT	US (Note II)
Cash and cash equivalents	IV and V	$27,476,448	$832,367	$17,483,411	$575,680
Due from the Central Bank and call loans to banks	IV and V	46,517,120	1,409,183	61,062,392	2,010,616
Financial assets at fair value through profit or loss	II and IV	55,770,037	1,689,489	40,321,517	1,327,676
Securities purchased under agreements to resell		126,000	3,817	3,224,451	106,172
Receivables, net	II, IV and V	45,667,795	1,383,453	45,918,618	1,511,973
Discounts and loans, net	II, IV and V	724,908,281	21,960,263	760,142,192	25,029,378
Available-for-sale financial assets, net	II and IV	55,322,764	1,675,940	59,816,112	1,969,579
Held-to-maturity financial assets, net	II and IV	5,214,726	157,974	2,830,919	93,214
Investments accounted for using equity method, net	II and IV	2,350,127	71,195	2,372,144	78,108
Other financial assets, net	II and IV	4,487,767	135,952	5,036,624	165,842
Investments in debt securities with no active market, net	II and IV	279,386,743	8,463,700	259,396,525	8,541,209
Premises and equipment, net	II, IV, V and VII	25,582,991	775,007	26,601,775	875,923
Intangible assets, net	II, IV and XI	436,538	13,224	6,838,812	225,183
Other assets, net	II, IV and V	10,012,753	303,325	9,808,447	322,965
TOTAL ASSETS		$1,283,260,090	$38,874,889	$1,300,853,939	$42,833,518

The accompanying notes are an integral part of the financial statements.

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank

Balance sheets (continued)

March 31, 2007 and 2008

(Expressed in thousands of dollars)

(Reviewed, not audited)

		March 31, 2007		March 31, 2008	
LIABILITIES AND SHAREHOLDERS' EQUITY	NOTES	NT	US (Note II)	NT	US (Note II)
LIABILITIES					
Due to the Central Bank and call loans from banks	IV and V	$102,287,668	$3,098,687	$66,800,575	$2,199,558
Funds borrowed from the Central Bank and other banks		827,250	25,061	1,520,250	50,058
Financial liabilities at fair value through profit or loss	II, IV and V	55,107,868	1,669,430	48,038,250	1,581,766
Securities sold under agreements to repurchase	IV and V	20,453,722	619,622	25,550,539	841,308
Payables	IV and V	23,030,409	697,680	22,564,817	742,997
Deposits and remittances	IV and V	982,101,540	29,751,637	1,033,485,665	34,029,821
Financial debentures payable	IV and X	18,335,868	555,464	18,212,705	599,694
Other financial liabilities	II and IV	798,189	24,180	308,470	10,157
Other liabilities	II, IV and V	1,777,605	53,850	2,139,573	70,450
TOTAL LIABILITIES		1,204,720,119	36,495,611	1,218,620,844	40,125,809
SHAREHOLDERS' EQUITY					
Capital stock	IV	48,689,413	1,474,990	48,689,413	1,603,208
Capital reserves	IV	15,213,565	460,877	15,213,611	500,942
Retained earnings	IV				-
Legal reserve		15,271,236	462,624	11,482,369	378,083
Undistributed earnings		(1,581,524)	(47,910)	7,285,364	239,887
Foreign currency translation adjustment	II	111,710	3,384	(191,714)	(6,313)
Unrealized gains or losses on financial instruments	II	835,571	25,313	(245,948)	(8,098)
TOTAL SHAREHOLDERS' EQUITY		78,539,971	2,379,278	82,233,095	2,707,709
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$1,283,260,090	$38,874,889	$1,300,853,939	$42,833,518

The accompanying notes are an integral part of the financial statements.

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank

Statements of income

For the three-month periods ended March 31, 2007 and 2008

(Expressed in thousands of dollars, except per share information)

(Reviewed, not audited)

ITEMS	NOTES	January 1 - March 31, 2007 NT	January 1 - March 31, 2007 US (Note II)	January 1 - March 31, 2008 NT	January 1 - March 31, 2008 US (Note II)
INTEREST INCOME	II and V	$9,741,959	$295,122	$10,252,679	$337,592
INTEREST EXPENSE	V	(4,792,844)	(145,194)	(4,895,626)	(161,199)
NET INTEREST INCOME		4,949,115	149,928	5,357,053	176,393
NONINTEREST INCOME					
Net fee income	II and V	1,022,949	30,989	1,352,945	44,549
Gain (loss) on financial assets and liabilities at fair value through profit or loss	II	283,964	8,602	(691,579)	(22,772)
Realized gain on available-for-sale financial assets	II	27,116	821	365,419	12,032
Realized loss on held-to-maturity financial assets	II	(135)	(4)	(632)	(21)
Investment income recognized by the equity method	II and IV	106,578	3,229	27,722	913
Gain on foreign currency exchange, net	II	230,127	6,971	549,881	18,106
Impairment reversal (loss) of assets	II	22,339	677	(36,953)	(1,217)
Gain (loss) on debt securities with no active market		4,971	151	(1,758,515)	(57,903)
Gain (loss) on disposal of premises and equipment		(46)	(1)	17,515	577
Others	II, IVand V	65,766	1,992	95,887	3,157
NET NONINTEREST INCOME (LOSS)		1,763,629	53,427	(78,310)	(2,579)
NET OPERATING INCOME		6,712,744	203,355	5,278,743	173,814
BAD DEBT EXPENSE	II and IV	(912,822)	(27,653)	(352,033)	(11,591)
OPERATING EXPENSES					
Personnel	II and IV	(1,475,510)	(44,699)	(1,673,823)	(55,115)
Depreciation and amortization	II and IV	(346,080)	(10,484)	(343,484)	(11,310)
Other general and administrative expenses	V	(1,208,989)	(36,625)	(1,301,304)	(42,848)
TOTAL OPERATING EXPENSES		(3,030,579)	(91,808)	(3,318,611)	(109,273)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES		2,769,343	83,894	1,608,099	52,950
INCOME TAX EXPENSE	II and IV	(562,000)	(17,025)	(723,000)	(23,806)
NET INCOME		$2,207,343	$66,869	$885,099	$29,144
BASIC EARNINGS PER SHARE (IN DOLLARS)	IV				
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES		$0.57	$0.017	$0.33	$0.011
INCOME TAX EXPENSES		(0.12)	(0.003)	(0.15)	(0.005)
NET INCOME		$0.45	$0.014	$0.18	$0.006

The accompanying notes are an integral part of the financial statements.

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank

Statements of cash flows

For the three-month periods ended March 31, 2007 and 2008

(Expressed in thousands of dollars)

(Reviewed, not audited)

ITEMS	NOTES	January 1-March 31, 2007 NT	January 1-March 31, 2007 US (Note II)	January 1-March 31, 2008 NT	January 1-March 31, 2008 US (Note II)
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income		$2,207,343	$66,869	$885,099	$29,144
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	II	346,080	10,484	343,484	11,310
The differences between investment income recognized by the equity method and the cash dividends received	II	(106,578)	(3,229)	(27,722)	(913)
Impairment loss (reversal) on foreclosed properties	II	12,768	387	(19,081)	(628)
Bad debt expense	II and IV	912,822	27,653	352,033	11,591
Loss (Gain) on disposal of premises, equipment and foreclosed properties	II	46	1	(14,796)	(487)
Impairment loss (reversal) of assets	II	(22,339)	(677)	56,034	1,845
Effects of exchange rate changes		(13,534)	(410)	(17,772)	(585)
(Increase) decrease in operating assets					
(Increase) decrease in receivables		3,027,861	91,726	(2,738,608)	(90,175)
Decrease in deferred income tax assets		324,468	9,830	727,036	23,939
(Increase) decrease in financial assets at fair value through profit or loss		1,276,224	38,662	(388,753)	(12,800)
Increase in other assets		(13,391)	(406)	(130,808)	(4,307)
Increase (decrease) in operating liabilities					
Increase (decrease) in payables		(1,259,402)	(38,152)	6,636,582	218,524
Increase (decrease) in financial liabilities at fair value through profit or loss		(288,832)	(8,750)	190,930	6,287
Increase (decrease) in tax payables		62,010	1,879	(239,455)	(7,885)
Decrease in other liabilities		(239,443)	(7,254)	(135,091)	(4,448)
Net cash provided by operating activities		6,226,103	188,613	5,479,112	180,412
CASH FLOWS FROM INVESTING ACTIVITIES:					
Net increase in discounts and loans		(12,921,421)	(391,440)	(3,803,593)	(125,242)
(Increase) decrease in due from the Central Bank and call loans to banks		4,754,429	144,030	(3,360,594)	(110,655)
(Increase) decrease in securities purchased under agreements to resell		1,660,058	50,290	(2,898,451)	(95,438)
(Increase) decrease in available-for-sale financial assets		(671,075)	(20,329)	4,287,675	141,181
Decrease in held-to-maturity financial assets		421,584	12,771	489,767	16,127
Proceeds from disposal of premises, equipment and foreclosed properties		835	25	334,856	11,026
Acquisition of premises, equipment and foreclosed properties		(751,638)	(22,770)	(306,984)	(10,108)
Acquisition of intangible assets		(11,118)	(337)	(8,341)	(275)
Increase in investments in debt securities with no active market		(21,559,605)	(653,123)	(2,641,416)	(86,974)
(Increase) decrease in other financial assets		5,164	156	(726,954)	(23,937)
(Increase) decrease in other assets		227,137	6,881	(202,054)	(6,653)
Net cash used in investing activities		(28,845,650)	(873,846)	(8,836,089)	(290,948)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Increase (decrease) in due to the Central Bank and call loans from banks		2,285,314	69,231	(7,068,770)	(232,755)
Increase (decrease) in securities sold under agreements to repurchase		(3,208,018)	(97,183)	10,915,115	359,405
Increase in deposits and remittances		16,514,760	500,296	1,920,152	63,225
Increase (decrease) in funds borrowed from the Central Bank and other banks		11,000	333	(103,950)	(3,423)
Increase (decrease) in financial debentures payable		200,050	6,060	(339,132)	(11,167)
Increase (decrease) in other financial liabilities		22,467	680	(260)	(8)
Increase in other liabilities		27,099	821	25,125	827
Net cash provided by financing activities		15,852,672	480,238	5,348,280	176,104
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES		44,496	1,348	(156,756)	(5,162)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(6,722,379)	(203,647)	1,834,547	60,406
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		34,198,827	1,036,014	15,648,864	515,274
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		$27,476,448	$832,367	$17,483,411	$575,680
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:					
Interest expense paid		$4,247,091	$128,661	$4,592,444	$151,216
Income tax paid		$-	$-	$403,225	$13,277

The accompanying notes are an integral part of the financial statements.

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank

Notes to financial statements

For the three-month periods ended March 31, 2007 and 2008

(Amounts in thousands except for share and per share data and unless otherwise stated)

(Reviewed, not audited)

I. Business

Cathay United Bank (the “Bank”), originally named United World Chinese Commercial Bank (“UWCCB”), was enfranchised by the government of the Republic of China (“ROC”) in January 1975. The Bank started its operations on May 20, 1975 and is engaged in the following operations: (1)all commercial banking operations authorized by the ROC Banking Law (“Banking Law”); (2)international banking business and related operations; (3)trust business; (4)off-shore banking business; and (5)other financial operations related to the promotion of investments by overseas Chinese.

The Bank has been approved to conduct business in the following areas：

(1) Checking, demand and time deposits;
(2) Short, medium, and long-term loans;
(3) Note discounting;
(4) Investment in securities;
(5) Domestic foreign exchange business;
(6) Banker’s acceptances;
(7) Issuance of domestic letters of credit;
(8) Endorsement and issuance of corporate bonds;
(9) Domestic endorsement guarantees business;
(10) Collection and payment agency;
(11) Agency for government bonds, treasury bills, corporate bonds and stocks;
(12) Underwriting and proprietary trading of securities;
(13) Custody and warehouse services;
(14) Renting of safe-deposit boxes;
(15) All businesses related to as specified in the license or other agency services as approved by the authority;
(16) Credit card-related products;
(17) Agency for sale of gold nuggets, gold coins and silver coins;
(18) Foreign exchange business in connection with exports and imports, fund remittance and repatriation, foreign currency deposits and loans; guarantees for secured repayment on exports and imports;

(19) Agency for issuance, transfer and registration of securities and distribution of interest and dividends services;
(20) Consulting services in connection with the issuance and offering of securities;
(21) Custody for funds;
(22) Discretionary trust funds by means of a trust;
(23) Cash purchase and sales in foreign currencies and agency for traveler's check;
(24) Derivative financial business as approved by the authority;
(25) Trust and fiduciary services;
(26) Non-discretionary trust funds for investment in foreign marketable securities;
(27) Proprietary trading of government bonds;
(28) Agency transactions, proprietary trading, certifying and underwriting of short-term bills;
(29) Financial advisory services on corporate banking; and
(30) Other business as approved by the authority.

The Bank's stock was traded on the Taiwan Stock Exchange (the "TSE") until December 18, 2002. On December 18, 2002, the Bank became a wholly-owned subsidiary of Cathay Financial Holding Co., Ltd. ("Cathay Financial Holdings") through a conversion transaction and desisted from the TSE. Under the Financial Institution Merger Law, the Bank engaged in a merger with the former Cathay United Bank, a wholly-owned subsidiary of Cathay Financial Holdings. The record date for such merger was October 27, 2003 and UWCCB survived and was renamed Cathay United Bank.

The board meeting on behalf of the Bank's shareholders resolved on August 25, 2006 to merge with Lucky Bank. Under this merger, on which the Bank was the surviving entity and Lucky Bank was the merged Bank. The merger date was January 1, 2007. The Bank acquired specific assets, liabilities, and business of China United Trust & Investment Corporation ("CUTIC") on December 29, 2007. Please refer to Note XI for details.

As of March 31, 2007 and 2008, the Bank employed 5,281 and 6,182 employees, respectively.

II. Summary of significant accounting policies

The financial statements were prepared in conformity with the "Business Entity Accounting Act", the "Regulation on Business Entity Accounting Handling" with respect to financial accounting standard, the "Regulations Governing the Preparation of Financial Reports by Public Banks", the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the ROC.

The significant accounting policies are summarized as follows：

1. Basis of presentation of financial statements

   The accompanying financial statements include the accounts of the head office, domestic and foreign branches. All significant inter-branch and inter-office accounts and transactions have been eliminated when the financial statements are prepared.

2. Foreign-currency transaction and translation

   Foreign-currency transactions of the head office and domestic branches are recorded of each entity based on the functional currency in which they are transacted. At the end of each month, foreign currencies denominated assets and liabilities are converted into New Taiwan dollars (“NT dollars” or “NT$”) at the applicable exchange rates as at the balance sheet date. Foreign currency income and expenses are converted into NT dollars at the exchange rates in effect as at the time of each transaction. The resulting realized gains or losses are included in income.

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

   Assets and liabilities of foreign branches, which are denominated in their respective foreign currencies, are converted into NT dollars using the method described in the preceding paragraph. Foreign currency denominated income and expenses of such branches are translated at the applicable exchange rate of the last day in every month. Gains or losses resulted from the translation are treated as “foreign currency translation adjustment” in the shareholders’ equity.

   The effect of difference in exchange rates for equity securities accounted for by the equity method is recorded as “foreign currency translation adjustment” in the shareholders’ equity.

3. Financial assets and financial liabilities

The Bank adopted the SFAS No. 34 and "Regulations Governing the Preparation of Financial Reports by Public Banks" to classify its financial assets as either financial assets at fair value through profit or loss, held-to-maturity financial assets, debt securities without active market, available-for-sale financial assets or financial assets carried at cost, where appropriate. Financial liabilities are classified as either financial liabilities at fair value through profit or loss, derivative financial liabilities for hedging or financial liabilities carried at amortized cost. When financial assets or liabilities are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Some regular way purchases and sales of financial assets, such as stocks and mutual funds, are recognized on the trade date (i.e. the date that the Bank commits to purchase or sell the asset) and others are recognized on the settlement date.

(1) Financial assets or liabilities at fair value through profit or loss

Financial assets or liabilities held for trading and designated by the Bank at fair value through profit or loss are classified as financial assets or liabilities at fair value through profit or loss. Subsequently, these investments are reviewed on a monthly basis and changes in fair value are recognized in income.

(2) Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable collections and fixed maturity which management has the intent and ability to hold to maturity are classified as held-to-maturity assets and reported at amortized cost. Such gains and losses are recognized when the investments are derecognized or impaired, as well as through the amortization process. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

(3) Investments in debt securities with no active market

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

(4) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or not classified in any of the three preceding categories.

Available-for-sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity except for impairment loss and foreign currency exchange related gains or losses, until the investment is derecognized at which time the cumulative gain or loss previously reported in equity is transferred to income statement.

However, any difference between the initial amount and the maturity amount of available-for-sale financial assets shall be amortized by effect interest method as interest income or expense over the relevant periods.

(5) Financial assets carried at cost

Investments in equity instruments without quoted market price and derivative instruments linked to or settled by delivery of such unquoted equity investments shall be measured at cost.

(6) Financial liabilities

After initial recognition, all financial liabilities are measured at amortized cost, except for financial liabilities at fair value through profit or loss and derivative financial liabilities for hedging purpose. Such liabilities are measured at fair value.

The fair value of investments is determined by reference to the close price at the balance sheet date for listed shares and derivatives, the net asset value for open-ended funds, and the closing or quoted price at the balance sheet date for bond and valuation techniques for debt securities with no active market, hybrid instruments and derivative instruments.

4. Derivative financial instruments

The Bank entered into various derivative contracts, including forward currency contracts, cross-currency swaps, options, futures and interest rate swaps. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are taken directly to income if a derivative instrument in a fair value hedge is terminated or the hedge designation removed for the period.

5. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized in which the transferor surrenders control over those financial assets, and shall be accounted for as a sale.

If a transfer of financial assets in exchange for cash or other consideration (other than beneficial interests in the transferred assets) does not meet the criteria for a sale, the Bank accounted for the transfer as a borrowing with collateral. The right to repurchase the assets is not separately recognized as a derivative.

Financial liabilities

A financial liability or a portion of a financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

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

6. Impairment of financial assets

The Bank assesses at each balance sheet date whether a financial asset or group of financial assets is impaired using following different methodologies depending on the classification:

Financial assets carried at amortized cost

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statements, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Financial assets carried at cost

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

Available-for-sale financial assets

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

7. Hedge accounting

The Bank uses its derivatives designated as hedging for accounting purposes as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations.

(a) Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;

(b) Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction;

(c) Hedges of net investments in foreign operations.

A hedge of interest risk of the Bank’s subordinated financial debentures is accounted for as a fair value hedge.

The Bank formally documents at inception all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various accounting hedges. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value of the hedged items. The Bank assesses on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

For fair value hedges, the carrying amount of the hedged item is adjusted for gains or losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains or losses from both are taken to income.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to profit or loss. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

The Bank discontinues hedge accounting when it is determined a derivative is not expected to be or has ceased to be highly effective as a hedge, and then reflects changes in fair value in earnings after termination of the hedging relationship.

8. Allowances for doubtful accounts

Allowance for doubtful accounts on receivables, bills and loans are provided based on the results of review of the collectability of accounts balances and the guidelines issued by the relevant regulations. When receivables are considered uncollectible, a write-off should be made after approved by the Bank’s Board of Directors.

9. Investment accounted for using equity method

Investments in other companies with voting rights of at least 20%, or less than 20% but the Bank and related parties in the aggregate hold more than 20% of the common stock and have significant influence over the investee are accounted for under the equity method. The difference between the acquisitions cost and the Company's share of net assets of the associate is amortized in 5 years. However, effective from January 1, 2006, if such a difference is goodwill, then it is not amortized but is reviewed for potential impairment on an annual basis, or if events or circumstances indicate a potential impairment, at the reporting unit level.

If the sum of the amounts assigned to assets acquired and liabilities assumed exceeds the cost of the acquired entity (excess over cost). That excess shall be allocated as a pro rata reduction of the amounts that otherwise world have been assigned to all of the non-current assets. If any excess remains after reducing to zero the amounts that otherwise would have been assigned to those assets, that remaining excess shall be recognized as an extraordinary gain.

Gain or loss on disposal of long-term equity investment is calculated based on the difference between selling price and carrying amount. Capital surplus arising from long-term equity investment is proportionately recycled to profit or loss.

10. Premises and equipment

(1) Premises and equipment are stated at cost less accumulated depreciation or amortization. Improvements, additions, and major renewals that extend the life of an asset are capitalized while repairs and maintenance are expensed as incurred; relevant promulgated principle should be applied if impairment been found, Upon disposal of premises and equipment, the related cost, accumulated depreciation and accumulated impairment loss are removed from the account. Any gains or losses thereafter are charged to current income.

(2) Depreciation is provided by the straight-line method over the following estimated useful lives:

Building	5～60	years
Furniture and fixtures	3～ 6	years
Transportation equipment	3～ 6	years
Miscellaneous equipment	3～15	years

When an impairment loss has been recognized, the depreciation of a specified asset should be recalculated base on the adjusted value over the estimated useful lives.

The residual value of a property that is still in use at the end of the original service life is depreciated using the straight-line method over its newly estimated useful life.

11. Intangible assets and goodwill

(1) Intangible assets

The Bank adopted the R.O.C. SFAS No. 37 “Accounting for Intangible Assets” Since January 1, 2007. Intangible assets are initially recognized at cost. After the initial recognition, the intangible assets shall be carried at cost less accumulated amortization and accumulated impairment losses if any.

The useful lives of intangible assets of the Bank are deemed finite. The amortization amounts of the intangible assets with finite useful lives are allocated on a systematic basis over their useful lives. If there is objective evidence that an impairment loss has been incurred, the impairment testing would be performed.

The category of intangible assets of the Bank and the amortization method over the estimated useful lives are as follows:

Category	Useful lives	Amortization method
Computer software	3-5 years	Straight-line method
Other intangible assets	4 years	Straight-line method

(2) Goodwill

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

12. Foreclosed properties

Foreclosed properties represent assets acquired by repossession of collateral for realization and are stated at the lower of cost or net realizable value on the balance sheet date. If there is an objective evidence of impairment, the impairment loss shall be recognized.

13. Financial assets securitization

Under the Regulations for Financial Assets Securitization, the Bank, with the assistance of a trustee securitized its financial assets for the purposes of offering asset-backed securities in the form of related beneficiary certificates through a special-purpose trust. Because the Bank surrendered its rights and control on these securitized financial assets, such financial assets are no longer recognized on its accounts, and the gain or loss from securitization is recognized thereon, except for the retained interests in the form of subordinated seller certificates necessary for credit enhancement, which are classified as held-to-maturity financial assets and investments in debt securities with no active market because those certificates do not have quoted market prices.

The gain or loss from securitization of the financial assets is determined based on the difference between the proceeds from securitization and carrying value of the securitized financial assets. The cost of each class of asset-backed securities which is determined based on the previous carrying value of the securitized financial assets, is allocated in proportion to the fair value of each class of the asset–backed securities and the retained interests on the date of transfer. Because the securitized financial assets do not have a quoted market price, the fair value of each class of the asset-backed securities and the retained interests are evaluated based on the present value of future cash flows considering the expected credit loss rate, prepayment rate, and discount rate on the financial assets.

14. Asset impairment

The Bank assesses impairment for all its assets within the scope of ROC SFAS No.35 if impairment indicators were found. The Bank shall compare the carrying amount with the recoverable amount of the assets or the cash-generating unit ("CGU") and write down the carrying amount to the recoverable amount where applicable. Recoverable amount is defined as the higher of net fair values or usage value.

For recognized impairment losses, the Bank shall assess, at each balance sheet date, whether there is any evidence shows that it may no longer exist or decreased. If such evidence been found, the Bank shall re-estimate the recoverable amount of the asset. Once the recoverable amount increased, the Bank shall reverse the recognized impairment loss to the extent the carrying amount as if no impairment loss had been recognized to against the assets. Impairment loss (reversal) is charged to current income.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU, to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

15. Reserves for possible losses on guarantees

Reserves for possible losses on guarantees are provided at the maximum limit allowed by the relevant laws and regulations pertaining to guarantees provided for customs duties, commodity taxes and contracts performance obligations.

16. Reserves for losses on trading securities

Pursuant to the "Regulations Governing Securities Firms", a reserve for possible losses on trading securities is provided based on 10% of the gain derived from trading securities each month until such reserve has reached the amount of NT$200 million. The reserve cannot be used for other purposes except to offset trading losses.

17. Pension plans

The Bank has a pension plan covering all full-time employees (the defined benefit plan). Under the plan, pension benefit payments for each employee are based on the employee's years of service and final average compensation. The Bank has established two employee retirement fund committees to supervise the employees' retirement fund based on the regulations of the employee retirement plan. Contribution to the pension fund is made to the separate accounts of the above two committees monthly. The Bank makes contributions to the pension plan, which is administered and operated by an independent employee retirement fund committee. The pension plan is not reflected in the Bank's financial statements.

The Labor Pension Act of the ROC (the "Act"), which adopts a defined contribution pension plan, is effective since July 1, 2005. In accordance with the Act, employees of the Bank may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. For employees subject to the Act, the Bank shall make monthly contributions to the employees' individual pension accounts on a basis 6% of the employees' monthly wages. Monthly contributions are recognized as pension costs.

The Bank adopted ROC SFAS No. 18, "Accounting for Pensions", which requires the actuarial determination of pension assets or obligations for the defined benefit plan. The unrecognized assets or obligations at transition are amortized by the straight-line method over the employees' average remaining service period of 15 years.

18. Recognition of interest income and service fees

Interest income is recognized when incurred except for delinquent accounts and troubled accounts whose interest is recognized when received.

Service fees are recognized on an accrual basis.

19. Recognition of dividend

When cash dividends on equity securities are declared from pre-acquisition profits, those dividends are deducted from the cost of the securities, except for cash dividends received from financial assets at fair value through profit or loss which are recognized as investment income.

Cash dividends received from equity securities other than financial assets at fair value through profit or loss are included as a recovery of parts of the cost of the equity securities. Receipts of cash dividends declared after the year of investment are recognized as investment income on the date of ex-dividend or the date of shareholders' meeting; if receipts of accumulated cash dividends exceed the accumulated retained earnings in the year prior to the date of dividend issuance, the excessive parts should be represent a recovery of parts of the cost of the equity securities.

Stock dividends are not recognized as investment income but instead as increases in the number of shares held.

20. Income tax

The Bank adopted ROC SFAS No. 22, "Income Taxes" for interperiod and intraperiod income tax allocation. Deferred income taxes are recognized for tax effects of temporary differences. Tax effects on deductible temporary differences, operating loss carry forwards and investment tax credits are recognized as deferred tax assets. Valuation allowance is provided for deferred tax assets when their realization is in doubt. The ROC government enacted the Alternative Minimum Tax Act ("AMT Act") from January 1, 2006. The Bank has considered the impact of the AMT Act in the determination of its tax liabilities using the higher of the statutory income tax or minimum tax under AMT Act as its current period income tax expense.

The adjustments of prior years' income tax are included in the current year's income tax calculation.

The Bank's tax credits are recognized in the current period according to the ROC SFAS No.12, "Accounting for Income Tax Credits".

Income tax at a rate of 10% on undistributed earnings is assessed if the Bank does not distribute all its current year profits. Taxes on undistributed earnings are recorded as expenses in the year the shareholder approves the retention of earnings.

Cathay Financial Holdings has adopted the consolidated income tax return for income tax filings with its qualified subsidiaries, including the Bank, since 2003.

21. Employee bonus and remuneration of directors

Pursuant to Interpretation 2007-052 issued by the Accounting Research and Development Foundation in March 2007, employee bonus and remuneration of directors are accounted for as expenses instead of distribution of earnings.

22. Contingencies

A loss is recognized if it is probable that an asset will be impaired or a liability may be incurred and the amount of loss can be reasonably estimated. If the amount of loss cannot be reasonably estimated and the loss is possible, the obligation is disclosed as contingent liabilities in the footnotes to the financial statements.

23. The interim financial statement

The Bank's has adopted the ROC SFAS No.23, "Interim Financial statement, Presentation and Disclosures" for its presentation and disclosures of interim financial statements.

24. Basis for converting financial

The Bank's financial statements are stated in NT dollars. Translation of the March 31, 2007 and 2008 NT dollar amount into US dollar are provided solely for the convenience of the readers, using the noon buying rate of NT$33.01 and NT$30.37 to US$1.00 on March 31, 2007 and 2008, respectively, as provided by the Federal Reserve Bank of New York. The translation amounts are unaudited. Such currency translation should not be construed as representations that the NT dollar amounts have been, could have been, or could in the future be, converted into US dollars at this rate or any other rate of exchange.

III. Accounting Changes

1. Effective from January 1, 2007, the Bank adopted the R.O.C. SFAS No.37, "Accounting for Intangible Assets". The Bank has reassessed the useful lives and amortization methods of the intangible assets already recognized on the effective date. The adoption of the R.O.C. SFAS No. 37 did not have an impact on the Bank's financial statements as of and for the year ended December 31, 2007.

2. The company adopted the accounting principles prescribed in Interpretation 2007-052 "Accounting for employee bonus and remuneration of directors" by the Accounting Research and Development Foundation on January 1, 2008.

   The above change in accounting principles decreased the Company's net income by NT$375 (US$12), and there is no significant effects in earning per shares, for the three months ended March 31, 2008.

IV. Breakdown of Significant Accounts

1. Cash and cash equivalents

	March 31,			
	2007		2008	
	NT	US	NT	US
Cash on hand	$10,243,224	$310,307	$9,514,802	$313,296
Checks for clearance	10,432,288	316,034	4,045,658	133,212
Due from commercial banks	6,800,936	206,026	3,922,951	129,172
Total	$27,476,448	$832,367	$17,483,411	$575,680

2. Due from the Central Bank and call loans to banks

	March 31,			
	2007		2008	
	NT	US	NT	US
Call loans to banks	$3,895,886	$118,022	$17,904,700	$589,552
Due from the Central Bank －				
Statutory reserve on deposits and general deposits	42,621,234	1,291,161	43,157,692	1,421,064
Total	$46,517,120	$1,409,183	$61,062,392	$2,010,616

Statuary reserve on deposits and general deposits consist mainly of New Taiwan Dollar (NTD) and foreign currency deposit reserves.

Under a directive issued by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD-denominated deposits. These reserves included NT$26,820,422 (US$812,494) and NT$26,333,586 (US$867,092) as of March 31, 2007 and 2008, respectively, which are subject to withdrawal restrictions.

In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. These non-interest bearing reserves may be withdrawn momentarily. As of March 31, 2007 and 2008, the balance of foreign-currency deposit reserves were NT$66,180 (US$2,005) and NT$4,256,700 (US$140,161), respectively.

3. Financial assets at fair value through profit or loss

	March 31,			
	2007		2008	
	NT	US	NT	US
Financial assets for trading :				
Stocks	$4,831,277	$146,358	$2,297,222	$75,641
Mutual funds and beneficiary certificates	1,349,766	40,889	848,173	27,928
Commercial papers and certificates of deposit	14,918,969	451,953	9,775,293	321,873
Bonds	25,769,386	780,654	17,425,675	573,780
Overseas financial instruments	2,323,629	70,392	1,245,662	41,016
Derivative financial instruments	5,878,945	178,096	8,477,634	279,145
Subtotal	55,071,972	1,668,342	40,069,659	1,319,383
Financial assets designated at fair value through profit or loss:				
Overseas financial instruments	575,370	17,430	161,776	5,327
Bonds	122,695	3,717	90,082	2,966
Subtotal	698,065	21,147	251,858	8,293
Total	$55,770,037	$1,689,489	$40,321,517	$1,327,676

(1) NT$122,695 (US$3,717) and NT$90,082 (US$2,966) of the financial assets at fair value through profit or loss as of March 31, 2007 and 2008, respectively, were pledged to other parties as collateral for business reserves and guarantees.

(2) As of March 31, 2007, certain of the financial assets at fair value through profit or loss was sold under repurchase agreements with notional amounts of NT$9,646,200 (US$292,221). Such repurchase agreements amounting to NT$9,613,146 (US$291,219) was posted to the "Securities sold under agreements to repurchase" account on the Bank's balance sheets. Repurchase agreements entered prior to March 31, 2007 was settled at NT$9,623,409 (US$291,530) prior to May 31, 2007.

As of March 31, 2008, certain of the financial assets at fair value through profit or loss was sold under repurchase agreements with notional amounts of NT$7,498,200 (US$246,895). Such repurchase agreements amounting to NT$7,476,045 (US$246,165) was posted to the "Securities sold under agreements to repurchase" account on the Bank's balance sheets. Repurchase agreements entered prior to March 31, 2008 was settled at NT$7,483,108 (US$246,398) prior to April 30, 2008.

(3) As of March 31, 2007 and 2008, the contract amount (initial and subsequent measurements are classified under financial assets/liabilities at fair value through profit or loss or other financial assets/liabilities) of derivative financial instruments (including hedging transaction) are summarized as follows (in thousands of US dollars):

	March 31,	
	2007	2008
Forward foreign exchange and currency swap contracts	$17,786,700	$18,749,320
Interest rate swap contracts	9,521,628	12,949,649
Cross-currency swap contracts	570,943	776,855
Options	54,691	461,353
Futures	8,881	-
Credit derivative instrument contracts	215,000	140,000
Credit default swap contracts	9,429	-

(4) Net gains arising from financial assets at fair value through profit or loss for the three-month periods ended March 31, 2007 and 2008 was NT$5,920,118 (US$179,343) and NT$3,474,763 (US$114,414) , respectively.

4. Receivables, net

	March 31,			
	2007		2008	
	NT	US	NT	US
Notes receivable	$-	$-	$16	$1
Accounts receivable	38,009,112	1,151,442	33,263,949	1,095,290
Interest receivable	4,574,640	138,583	4,533,643	149,280
Receivable to related party for allocation of linked-tax system	868,302	26,304	1,049,350	34,552
Foreign currency receivable	1,916,877	58,069	2,548,662	83,920
Acceptances	682,932	20,689	414,825	13,659
Tax refundable	747,465	22,644	770,585	25,373
Others	1,310,487	39,700	6,785,235	223,419
Total	48,109,815	1,457,431	49,366,265	1,625,494
Less: allowance for doubtful accounts	(2,442,020)	(73,978)	(3,447,647)	(113,521)
Net balance	$45,667,795	$1,383,453	$45,918,618	$1,511,973

Information on bad and doubtful accounts is as follows:

	January 1-March 31, 2007					
	Allocated allowance		Unallocated portion		Total	
	NT	US	NT	US	NT	US
Balance, beginning of the period	$1,942,613	$58,849	$126,568	$3,834	$2,069,181	$62,683
Provision of doubtful accounts	1,308,799	39,648	-	-	1,308,799	39,648
Write-offs	(1,120,666)	(33,949)	-	-	(1,120,666)	(33,949)
Debt counseling recoveries	66,621	2,018	-	-	66,621	2,018
Recoveries	117,904	3,572	-	-	117,904	3,572
Reclassifications	17,914	543	(17,914)	(543)	-	-
Effects of exchange rates change	-	-	181	6	181	6
Balance, end of the period	$2,333,185	$70,681	$108,835	$3,297	$2,442,020	$73,978

	January 1-March 31, 2008					
	Allocated allowance		Unallocated portion		Total	
	NT	US	NT	US	NT	US
Balance, beginning of the period	$3,400,248	$111,961	$71,960	$2,369	$3,472,208	$114,330
Provision of doubtful accounts	552,084	18,178	-	-	552,084	18,178
Write-offs	(792,775)	(26,104)	-	-	(792,775)	(26,104)
Debt counseling recoveries	36,595	1,205	-	-	36,595	1,205
Recoveries	179,535	5,912	-	-	179,535	5,912
Reclassifications	4,245	140	(4,245)	(140)	-	-
Balance, end of the period	$3,379,932	$111,292	$67,715	$2,229	$3,447,647	$113,521

The Bank's financial statements include doubtful account of receivables based on information available to the Bank, including defaults to the extent they can be determined or estimated. Changes in operating or financial performance of customers and general economic conditions of the market may have an impact on the debtor's ability to repay their loans and uncertainty related to the future realizable value of collaterals may cause the amounts of actual losses to differ from those presently determined or estimated.

5. Discounts and loans, net

	March 31,			
	2007		2008	
	NT	US	NT	US
Outward documentary bills	$870,975	$26,385	$448,524	$14,769
Overdrafts	557,881	16,901	529,084	17,421
Short –term loans	176,433,169	5,344,840	163,102,493	5,370,513
Medium-term loans	210,454,771	6,375,485	213,223,230	7,020,851
Long-term loans	342,240,559	10,367,784	385,111,864	12,680,667
Delinquent accounts	8,670,696	262,669	6,936,038	228,385
Total	739,228,051	22,394,064	769,351,233	25,332,606
Less: allowance for doubtful accounts	(14,319,770)	(433,801)	(9,209,041)	(303,228)
Net balance	$724,908,281	$21,960,263	$760,142,192	$25,029,378

(1) As of March 31, 2007 and 2008, the accounts without interest accrued were NT$11,646,831 (US$352,827) and NT$8,892,942 (US$292,820), respectively. The non-accrued interest on such accounts amounted to NT$91,010 (US$2,757) and NT$74,868 (US$2,465) for the three-month periods ended March 31, 2007 and 2008, respectively.

(2) For the three-month periods ended March 31, 2007 and 2008, the Bank had not written off any loans unless legal proceedings to collect these loans had been initiated.

(3) Please refer to Note X.8 (2) for details on loans by industries and geographic regions.

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

	January 1- March 31, 2007					
	Allocated allowance		Unallocated portion		Total	
	NT	US	NT	US	NT	US
Balance, beginning of the period	$3,121,934	$94,575	$13,389,809	$405,629	$16,511,743	$500,204
Provision of doubtful accounts	(395,977)	(11,995)	-	-	(395,977)	(11,995)
Write-offs	(3,216,137)	(97,429)	-	-	(3,216,137)	(97,429)
Debt counseling recoveries	53,987	1,635	-	-	53,987	1,635
Recoveries	1,364,273	41,329	-	-	1,364,273	41,329
Reclassification	1,812,556	54,909	(1,812,556)	(54,909)	-	-
Effects of exchange rates change	-	-	1,881	57	1,881	57
Balance, end of the period	$2,740,636	$83,024	$11,579,134	$350,777	$14,319,770	$433,801

	January 1- March 31, 2008					
	Allocated allowance		Unallocated portion		Total	
	NT	US	NT	US	NT	US
Balance, beginning of the period	$4,139,802	$136,312	$5,606,808	$184,617	$9,746,610	$320,929
Provision of doubtful accounts	(200,051)	(6,587)	-	-	(200,051)	(6,587)
Write-offs	(2,182,764)	(71,872)	-	-	(2,182,764)	(71,872)
Debt counseling recoveries	26,759	881	-	-	26,759	881
Recoveries	1,853,432	61,028	-	-	1,853,432	61,028
Reclassification	375,728	12,372	(375,728)	(12,372)	-	-
Effects of exchange rates change	-	-	(34,945)	(1,151)	(34,945)	(1,151)
Balance, end of the period	$4,012,906	$132,134	$5,196,135	$171,094	$9,209,041	$303,228

The Bank's financial statements include provision for possible credit losses and guarantee losses based on information available to the Bank, including defaults to the extent they can be determined or estimated. Changes in operating or financial performance of customers and general economic conditions of the market may have an impact on the debtor's ability to repay their loans and uncertainty related to the future realizable value of collaterals may cause the amounts of actual losses to differ from those presently determined or estimated.

6. Available-for-sale financial assets, net

	March 31,			
	2007		2008	
	NT	US	NT	US
Stocks	$6,452,146	$195,460	$3,240,452	$106,699
Mutual funds and beneficiary securities	125,486	3,802	294,975	9,713
Bonds	47,838,121	1,449,201	46,878,065	1,543,565
Overseas financial instruments	907,011	27,477	9,402,620	309,602
Total	$55,322,764	$1,675,940	$59,816,112	$1,969,579

(1) NT$992,436 (US$30,065) and NT$8,190,048 (US$269,676) of the available-for-sale financial assets as of March 31, 2007 and 2008, respectively, were pledged to other parties as collateral for business reserves and guarantees.

(2) As of March 31, 2007, certain of the available-for-sale financial assets was sold under repurchase agreements with notional amounts of NT$9,998,800 (US$302,902). Such repurchase agreements amounting to NT$10,840,576 (US$328,403) was posted to the "Securities sold under agreements to repurchase" account on the Bank's balance sheets. Repurchase agreements entered prior to March 31, 2007 was settled at NT$10,871,068 (US$329,327) prior to September 30, 2007.

As of March 31, 2008, certain of the available-for-sale financial assets was sold under repurchase agreements with notional amounts of NT$16,598,900 (US$546,556). Such repurchase agreements amounting to NT$18,074,494 (US$595,143) was posted to the "Securities sold under agreements to repurchase" account on the Bank's balance sheets. Repurchase agreements entered prior to March 31, 2008 was settled at NT$18,111,981 (US$596,377) prior to September 30, 2008.

7. Held-to-maturity financial assets, net

	March 31, 2007			
	Face value		Amortized cost	
	NT	US	NT	US
Bonds	$3,562,800	$107,931	$3,787,182	$114,728
Overseas financial instruments	1,433,638	43,430	1,429,589	43,308
Subtotal	4,996,438	151,361	5,216,771	158,036
Less: accumulated impairment	-	-	(2,045)	(62)
Net balance	$4,996,438	$151,361	$5,214,726	$157,974

	March 31, 2008			
	Face value		Amortized cost	
	NT	US	NT	US
Bonds	$1,612,800	$53,105	$1,794,771	$59,097
Beneficiary certificates	576,335	18,977	576,335	18,977
Overseas financial instruments	460,276	15,156	459,813	15,140
Subtotal	2,649,411	87,238	2,830,919	93,214
Less: accumulated impairment	-	-	-	-
Net balance	$2,649,411	$87,238	$2,830,919	$93,214

As of March 31, 2007 and 2008, NT$1,542,537 (US$46,729) and NT$101,165 (US$3,331) of held-to-maturity financial assets, respectively, were pledged to other parties as collateral of business reserves and guarantees.

8. Investments accounted for using equity method, net

	March 31, 2007				
	Carrying value		% of	Investment income (loss)	
	NT	US	ownership	NT	US
Seaward Card Co., Ltd.	$40,458	$1,226	100.00	$360	$11
Cathay Life Insurance Agent Co., Ltd	97,572	2,956	100.00	5,281	160
Cathay Property Insurance Agent Co., Ltd.	9,307	282	100.00	127	4
Indovina Bank	736,747	22,319	50.00	71,842	2,176
Taiwan Real-estate Management Corp.	33,587	1,017	30.15	14,212	431
Taiwan Finance Corp.	1,388,622	42,067	24.57	15,972	484
Vista Technology Venture Capital Corp.	7,538	228	4.76	(1,096)	(33)
Cathay Venture Capital Corp.	36,296	1,100	2.00	(120)	(4)
Total	$2,350,127	$71,195		$106,578	$3,229

	March 31, 2008				
	Carrying value		% of	Investment income (loss)	
	NT	US	ownership	NT	US
Seaward Card Co., Ltd.	$38,123	$1,255	100.00	$420	$14
Cathay Life Insurance Agent Co., Ltd	46,711	1,538	100.00	3,809	125
Cathay Property Insurance Agent Co., Ltd.	7,708	254	100.00	121	4
Indovina Bank	892,099	29,374	50.00	20,371	671
Taiwan Real-estate Management Corp.	43,582	1,435	30.15	986	32
Taiwan Finance Corp.	1,302,943	42,902	24.57	1,579	52
Vista Technology Venture Capital Corp.	7,530	248	4.76	(3)	-
Cathay Venture Capital Corp.	33,448	1,102	2.00	439	15
Total	$2,372,144	$78,108		$27,722	$913

(1) The equity method of accounting was applied to Cathay Venture Capital Corp. and Vista Technology Venture Capital Corp. due to the fact that the Bank and its related parties held more than 20% of such companies' common stock.

(2) Certain of the above investments and related investment gains (losses) accounted for by the equity method as of and for the three-month periods ended March 31, 2007 and 2008 were recognized based on the investees' unreviewed financial statements. No material adjustments were anticipated, have those financial statements been reviewed.

9. Other financial assets, net

	March 31,			
	2007		2008	
	NT	US	NT	US
Hedged derivatives financial assets	$-	$-	$787,019	$25,914
Financial assets carried at cost, stocks	4,482,565	135,794	4,245,466	139,792
Bills purchased	5,202	158	4,139	136
Total	$4,487,767	$135,952	$5,036,624	$165,842

Due to the recurring losses incurred by Taipei Financial Center Corp., New Century InfoComm Co., Ltd., Chan Sheng Investment Development Co., Ltd., (liquidated in 2007) Strategic Value Fund, Limited Partnership, Waterland Securities Co., Ltd., Mondex Taiwan Inc., and Victor Taichung Machinery Works Co., Ltd., the Bank has recognized losses for these investees based on their net equity.

As of March 31, 2008, the above derivative financial assets for hedging applies for fair value hedge, and its fair value is NT$787,019 (US$25,914). The Bank has recognized gain in hedging in the amount of NT$41,787 (US$1,376) for the three-month period ended March 31, 2008.

10. Investments in debt securities with no active market, net

	March 31,			
	2007		2008	
	NT	US	NT	US
Preferred stocks	$549,730	$16,653	$549,730	$18,101
Certificates of deposit	218,335,000	6,614,208	213,565,000	7,032,104
Bonds	99,635	3,018	99,635	3,280
Beneficiary certificates	-	-	400,000	13,171
Overseas financial instruments	60,581,287	1,835,241	45,061,966	1,483,766
Subtotal	279,565,652	8,469,120	259,676,331	8,550,422
Less: accumulated impairment	(178,909)	(5,420)	(279,806)	(9,213)
Net balance	$279,386,743	$8,463,700	$259,396,525	$8,541,209

NT$15,000,000 (US$454,408) and NT$15,000,000 (US$493,908) of certificates of deposit as of March 31, 2007 and 2008, respectively, were pledged to other parties as collateral for business reserves and guarantees.

11. Financial assets securitization

During 2007, the Bank securitized a collateralized loans obligation (CLO) with a carry value of NT$5,446,335 (US$179,333) with Land Bank Co., Ltd. as Trustee. These beneficiary certificates have a redemption period from May 28, 2007 to May 28, 2014. The other terms of these beneficiary certificates are as follows:

Class of beneficiary certificates issued	Issue amount (in thousands dollars)	Interest rate
Senior tranche 1st	NT$3,335,000(US$102,082)	2.175%
Senior tranche 2nd	NT$315,000(US$9,642)	2.325%
Senior tranche 3rd	NT$340,000(US$10,407)	2.545%
Senior tranche 4th	NT$480,000(US$14,692)	2.945%
Subordinated tranche 5th	NT$200,000(US$6,122)	3.00%
Subordinated tranche 6th	NT$200,000(US$6,122)	3.20%
Subordinated tranche 7th	NT$576,335(US$17,641)	-

The Bank holds the subordinated beneficiary certificates NT$976,335 (US$32,148) and retains the right to interest (if any) in excess of the amount paid to the holders of senior beneficiary certificates. If the loan debtors default, neither the investor nor Trustee has the right of recourse to the Bank. The retained interest of the principal of subordinated beneficiary certificates is subordinate to the investors' certificates and its value is affected by the credit risk, prepayment rate and change in interest rate of the securitized loans.

(1) Key assumptions used in measuring retained interests：

The key assumptions used in measuring the subordinated seller certificates arising from the loan securitization at the loans securitization date and March 31, 2008, respectively, were as follows:

	Corporate Loans Securitization	
	March 31, 2008	May 28, 2007
Expected weighted-average life (in years)	1.232	2.212
Prepayment rate (annual rate)	3%	3%
Expected credit losses rate (annual rate)	3.71%	3.71%
Discounting rate for residual cash flows (annual rate)	2.49%	2.2%

(2) Sensitivity analysis：

As of March 31, 2008, the key economic assumptions and sensitivity of the current fair value of residual cash flows with immediate 10% and 20% adverse changes in these assumptions were as follows:

	March 31 , 2008	
	NT	US
Carrying amount of retained interests	$977,748	$32,195
Expected weighted-average life (in years)	1.232	1.232
Expected prepayment rate (annual rate)	3%	3%
Impact on fair value with 10% adverse change	(901)	(30)
Impact on fair value with 20% adverse change	(950)	(31)
Expected credit losses (annual rate)	3.71%	3.71%
Impact on fair value with 10% adverse change	(15,301)	(504)
Impact on fair value with 20% adverse change	(16,141)	(531)
Discounting rate for residual cash flows (annual rate)	2.49%	2.49%
Impact on faire value with 10% adverse change	(5,484)	(181)
Impact on faire value with 20% adverse change	(10,935)	(360)

(3) Expected static pool credit losses:

As the securitized collateralized loans obligation do not have actual credit losses as of the balance sheet date, the expected static pool credit losses are, therefore, equal to the expected credit losses

(4) Cash flows:

The cash flows received from and paid to securitization trusts were as follows:

	January 1-March 31, 2008	
	NT	US
Servicing fees received	$60	$2
Other cash received on retained interests	7,636	251
Repayment of cash reserve	3,726	123

12. Premises and equipment, net

	March 31,			
	2007		2008	
	NT	US	NT	US
Cost:				
Land	$14,388,248	$435,875	$15,013,344	$494,348
Buildings	9,808,571	297,139	10,128,534	333,505
Office equipment	3,948,364	119,611	3,778,760	124,424
Transportation equipment	68,725	2,082	55,365	1,823
Leased improvements	-	-	18,553	611
Other equipment	4,702,177	142,447	4,944,544	162,810
Construction in progress and prepayment for equipment	1,070,728	32,437	1,678,391	55,265
Subtotal	33,986,813	1,029,591	35,617,491	1,172,786
Accumulated depreciation:				
Buildings	(2,335,333)	(70,746)	(2,458,641)	(80,956)
Office equipment	(2,799,839)	(84,818)	(2,868,491)	(94,452)
Transportation equipment	(58,083)	(1,760)	(50,408)	(1,660)
Leased improvements	-	-	(4,838)	(159)
Other equipment	(3,085,280)	(93,465)	(3,594,712)	(118,364)
Subtotal	(8,278,535)	(250,789)	(8,977,090)	(295,591)
Accumulated impairment	(125,287)	(3,795)	(38,626)	(1,272)
Net	$25,582,991	$775,007	$26,601,775	$875,923

13. Intangible assets, net

	January 1- March 31, 2007							
	January 1		Additions/Amortization		Reversal		March 31	
	NT	US	NT	US	NT	US	NT	US
Computer software	$961,523	$29,128	$11,118	$337	$-	$-	$972,641	$29,465
Amortization	(485,168)	(14,698)	(50,935)	(1,543)	-	-	(536,103)	(16,241)
Net balance	$476,355	$14,430	$(39,817)	$(1,206)	$-	$-	$436,538	$13,224

	January 1- March 31, 2008							
	January 1		Additions/Amortization		Disposals		March 31	
	NT	US	NT	US	NT	US	NT	US
Goodwill	$6,537,374	$215,257	$-	$-	$-	$-	$6,537,374	$215,257
Computer software	1,180,905	38,884	8,341	275	147,141	4,845	1,042,105	34,314
Subtotal	7,718,279	254,141	8,341	275	147,141	4,845	7,579,479	249,571
Amortization	(687,581)	(22,640)	(53,086)	(1,748)	-	-	(740,667)	(24,388)
Impairments	(147,141)	(4,845)	-	-	(147,141)	(4,845)	-	-
Subtotal	(834,722)	(27,485)	(53,086)	(1,748)	(147,141)	(4,845)	(740,667)	(24,388)
Net balance	$6,883,557	$226,656	$(44,745)	$(1,473)	$-	$-	$6,838,812	$225,183

14. Other assets, net

	March 31,			
	2007		2008	
	NT	US	NT	US
Prepayment	$285,462	$8,648	$221,493	$7,293
Temporary payments	31,811	964	136,421	4,492
Interbank settlement fund	1,299,866	39,378	1,300,596	42,825
Non-operating assets, net (Accumulated impairment NT$269,099(US$8,152) and NT$355,272 (US$11,698),on March 31, 2007 and 2008, respectively)	1,244,077	37,688	2,335,421	76,899
Refundable deposits, net	1,180,982	35,776	1,328,228	43,735
Foreclosed properties, net	1,336,819	40,497	1,319,366	43,443
Deferred tax assets, net	4,568,987	138,412	2,846,818	93,738
Others	64,749	1,962	320,104	10,540
Total	$10,012,753	$303,325	$9,808,447	$322,965

15. Due to the Central Bank and call loans from banks

	March 31,			
	2007		2008	
	NT	US	NT	US
Due to the Central Bank	$186,748	$5,657	$525,831	$17,314
Due to commercial banks	1,441,365	43,664	1,405,149	46,268
Due to Post Co., Ltd.	27,562,790	834,983	24,029,826	791,236
Overdrafts from banks	379,477	11,496	374,678	12,337
Call loans from banks	72,717,288	2,202,887	40,465,091	1,332,403
Total	$102,287,668	$3,098,687	$66,800,575	$2,199,558

16. Financial liabilities at fair value through profit or loss

	March 31,			
	2007		2008	
	NT	US	NT	US
Financial liabilities for trading:				
Derivative financial instruments	$5,869,233	$177,802	$8,397,374	$276,502
Financial liabilities designated at fair value through profit or loss:				
Dominant financial debentures	39,258,727	1,189,298	39,640,876	1,305,264
Subordinated financial debentures	9,979,908	302,330	-	-
Subtotal	49,238,635	1,491,628	39,640,876	1,305,264
Total	$55,107,868	$1,669,430	$48,038,250	$1,581,766

(1) On May 23, 2002, the Bank issued a five-year subordinated financial debenture totaling NT$5,000,000 which has matured. Subsequently on September 10, 2002, the Bank issued five-year and six-month subordinated financial debentures totaling NT$5,000,000 which has matured.

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

On June 20, 2003, the Bank issued five-year and six-month dominant financial debentures amounting to NT$5,000,000 with inverse floating interest rate. On December 4, 2003, December 10, 2003, and December 11, 2003, the Bank issued five-year dominant financial debentures amounting to NT$3,200,000, NT$2,700,000 and NT$1,800,000, respectively, with floating interest rates, inverse floating interest rates or specific structure rates. Subsequently on March 29, 2004, the Bank issued six-year dominant financial debenture amounting to NT$2,000,000 with a floating interest rate. These dominant financial debentures are repayable at maturity, and the interest is payable quarterly or semi-annually.

On July 8 and July 15, 2004, the Bank issued five-year to seven-year dominant financial debentures amounting to NT$1,000,000, NT$3,500,000, NT$2,000,000 and NT$1,000,000, respectively, with floating interest rates, inverse floating interest rates or specific structure rates. These dominant financial debentures are repayable at maturity, and the interest is payable quarterly or semiannually. On November 10, November 25, November 26, December 9, December 10, December 22, December 23 and December 29, 2004 and on January 14 and February 22, 2005, the Bank issued five-year to seven-year dominant financial debentures amounting to NT$2,500,000, NT$1,500,000, NT$1,500,000, NT$2,500,000, NT$1,500,000, NT$2,500,000, NT$1,000,000, NT$1,000,000, NT$2,000,000 and NT$1,500,000, respectively, with fixed interest rates. These dominant financial debentures are repayable at maturity, and the interest is payable quarterly.

These dominant financial debentures are senior in priority to the subordinated financial debentures and common shares, but are equal to other debts of the Bank.

(2) Net losses arising from financial liabilities at fair value through profit or loss for the three-month periods ended March 31, 2007 and 2008 were NT$5,636,154 (US$170,741) and NT$4,166,342 (US$137,186) , respectively.

17. Payables

	March 31,			
	2007		2008	
	NT	US	NT	US
Accounts payable	$13,037,616	$394,960	$5,668,629	$186,652
Accrued interest payable	4,595,369	139,211	4,762,785	156,826
Accrued expenses	1,524,093	46,171	1,713,214	56,411
Foreign currency payable	1,094,848	33,167	8,202,411	270,083
Acceptance	689,714	20,894	418,404	13,777
Income tax payable	221,721	6,717	168,590	5,551
Receipts under custody	566,865	17,173	247,970	8,165
Others	1,300,183	39,387	1,382,814	45,532
Total	$23,030,409	$697,680	$22,564,817	$742,997

18. Deposits and remittances

	March 31,			
	2007		2008	
	NT	US	NT	US
Check deposits	$16,776,468	$508,224	$11,886,950	$391,404
Demand deposits	106,941,208	3,239,661	116,040,276	3,820,885
Demand savings deposits	360,144,791	10,910,172	362,578,141	11,938,694
Time deposits	237,040,186	7,180,860	268,421,670	8,838,382
Negotiable certificates of deposit	4,084,900	123,747	2,678,700	88,202
Time savings deposits	255,742,733	7,747,432	256,874,894	8,458,179
Trust_unappropriated	-	-	14,299,727	470,851
Outward remittances	682,704	20,682	444,189	14,626
Remittances payable	688,550	20,859	261,118	8,598
Total	$982,101,540	$29,751,637	$1,033,485,665	$34,029,821

19. Financial debentures payable

	March 31,			
	2007		2008	
	NT	US	NT	US
Subordinated financial debentures	$18,895,000	$572,402	$17,552,500	$577,955
Discount in financial debentures	(105,300)	(3,190)	(87,775)	(2,890)
Valuation adjustment	(453,832)	(13,748)	747,980	24,629
Total	$18,335,868	$555,464	$18,212,705	$599,694

On April 28, 2003, the former Cathay United Bank issued a five-year subordinated financial debentures totaling NT$2,350,000 with a stated interest rate of 2%. The subordinated financial debentures are repayable at maturity, and the interest is payable annually.

The Bank issued a 15-year US$500 million subordinated bonds with a stated interest rate of 5.5% on October 5, 2005, and the interest is payable semiannually. The Bank can redeem the bond after 10 years by exercising the call option. As discussed in Note X.9, the Bank has adopted hedge accounting to account for its subordinated financial debentures.

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

20. Other financial liabilities

	March 31,			
	2007		2008	
	NT	US	NT	US
Derivative financial liabilities for hedging	$486,029	$14,724	$-	$-
Borrowed funds	312,160	9,456	308,470	10,157
Total	$798,189	$24,180	$308,470	$10,157

As of March 31, 2007, the above derivative financial liabilities for hedging applies for fair value hedge, and its fair value are NT$486,029 (US$14,724). The Bank has recognized losses in hedging in the amount of NT$1,187 (US$36) for the three-month periods ended March 31, 2007.

21. Other liabilities

	March 31,			
	2007		2008	
	NT	US	NT	US
Unearned receipts	$105,301	$3,190	$146,535	$4,825
Temporary receipts	734,285	22,244	913,538	30,080
Reserve for losses on guarantees	28,719	870	28,408	935
Reserve for losses on stock brokerage transactions	149,037	4,515	268,791	8,851
Guarantee deposits received	740,228	22,424	731,935	24,101
Reserve for land value increment tax	20,035	607	50,366	1,658
Total	$1,777,605	$53,850	$2,139,573	$70,450

22. Capital Stock

As of January 1, 2007, the Bank had issued and outstanding capital stock of NT$46,420,518 (US$1,406,256) divided into 4,642,052 thousands common shares, with par value NT$10 per share.

The Bank's board of directors on behalf of the shareholders resolved to have a merger with Lucky Bank by issuing 226,889 thousands common shares on January 1, 2007. After the merger, the issued and outstanding capital stock amounted to NT$48,689,413 (US$1,603,208) divided into 4,868,941 thousands common shares, with par value NT$10 per share. The above merger has been approved by the authority.

23. Capital reserves

	March 31,			
	2007		2008	
	NT	US	NT	US
Capital reserves from the merger Bank	$10,949,303	$331,697	$10,949,303	$360,530
Additional paid-in capital	4,249,096	128,721	4,249,096	139,911
Others	15,166	459	15,212	501
Total	$15,213,565	$460,877	$15,213,611	$500,942

24. Retained earnings

(1) The Bank's articles of incorporation provide that its annual net income shall be appropriated and distributed in the following order:

(a) 30% thereof shall be set aside as legal reserve;
(b) special reserves;
(c) regular dividends; and
(d) the remainder, if any, shall be distributed and appropriated as follows: extra dividends: 85%, employees' special bonus: 15%.

(2) The government's regulations stipulate that the Bank must retain part of its annual net income as legal reserve, and cash dividend declaration, if any, should not exceed the limit of 15% of paid-in capital until such retention of legal reserve reaches the amount of paid-in capital. The legal reserve may be used at any time to offset the accumulated deficit, if any. Once the legal reserve reaches one-half of the paid-in capital, up to 50% of the reserve may be transferred to capital stock.

(3) The estimation of employee bonus and remuneration of directors for the first quarter of 2008 was NT$375 based on the average actual payment over the past three year and recognized as operating expense. Resolution approved at the 2009 shareholders' meeting might differ from the estimation mentioned above and the difference will be recognized as income in 2009.

(4) On April 26, 2007, the following are appropriations and distribution approved by the Bank's board of directors (According to the Company's Law, the authority of the Bank's shareholder meeting acts by board of directors)：

Make up deficit in 2006:
NT$3,788,867 (US$124,757) thousands from legal reserve.

(5) On March 19, 2008, the following are appropriations and distribution approved by the Bank's board of directors：

The appropriation and distribution of earnings in 2007：
(a) NT$1,920,080 (US$58,167) thousands as legal reserve；
(b) NT$465,071 (US$14,089) thousands as appropriated retained earning；
(c) NT$4,013,614 (US$121,588) thousands as dividends to shareholders；
(d) NT$1,500 (US$45) thousands as bonus to employees.

Information relating to the appropriation of the Bank's earnings is available from the "Market Observation Post System" at the website of the TSE.

25. Pension

The Bank adopted the ROC SFAS No.18, "Accounting for Pensions", which requires actuarial determination of pension assets or obligations.

26. Certain components of operating expenses

The following is a summary of the components of personnel, depreciation and amortization expenses for the three-month periods ended March 31, 2007 and 2008.

	January 1- March 31,			
	2007		2008	
	NT	US	NT	US
Personnel expenses				
Salary	$1,189,436	$36,033	$1,327,554	$43,713
Insurance	128,320	3,887	160,760	5,293
Pension	82,040	2,485	92,534	3,047
Others	75,714	2,294	92,975	3,062
Depreciation expenses	295,145	8,941	290,398	9,562
Amortization expenses	50,935	1,543	53,086	1,748

27. Income tax

Under a directive issued by the MOF, a financial holding company and its domestic subsidiaries that hold over 90% of shares issued by the financial holding company for 12 months within the same tax year may choose to adopt the consolidated income tax return for income tax filings. Additional tax and tax receivable resulting from the consolidated income tax return are recorded in the account of consolidated income tax return payable or receivable. ROC SFAS No.22 remains applicable to the Bank.

(1) The reconciliation between income tax payable and income tax benefit (expenses) for the three-month periods ended March 31, 2007 and 2008 is as follows:

	January 1- March 31,			
	2007		2008	
	NT	US	NT	US
Income tax payable:				
Domestic income tax:				
General (tax rate 25%)	$(78,217)	$(2,370)	$(9,791)	$(322)
Interest on separation tax				
(tax rate 20% or 6%)	(15,811)	(479)	(4,031)	(133)
Deferred tax benefit (expense):				
Reversal of allowance for bad debt	(458,753)	(13,898)	(116,599)	(3,839)
Allowance for pledged assets taken-over (reversal)	3,192	97	-	-
Foreign investment income recognized by the				
equity method	6,857	208	-	-
Others	(20,113)	(609)	(46,355)	(1,526)
Valuation allowance	606,026	18,359	(11,747)	(387)
Operating loss carry-forward	(15,626)	(473)	(586,510)	(19,312)
Investment tax credits	688	21	9,974	328
Effect of foreign branches' income tax	(26,609)	(806)	(16,460)	(542)
Adjustment of prior period's income tax	(563,634)	(17,075)	58,519	1,927
Income tax benefit (expense)	$(562,000)	$(17,025)	$(723,000)	$(23,806)

Under the Tax Law, income tax was based on taxable income from all sources for the period. Foreign income tax paid with relative documents submitted could be used as income credit against domestic tax payable to the extent of domestic income tax applicable to the related foreign-source income.

(2) Deferred tax liabilities and assets resulting from the following timing differences:

	March 31,			
	2007		2008	
	NT	US	NT	US
Taxable temporary differences:				
Valuation of financial instruments	$3,869,276	$117,215	$8,483,421	$279,336
Others	147,975	4,483	253,108	8,334
Deductible temporary differences:				
Allowance for bad debts	9,257,174	280,435	4,904,883	161,504
Unrealized impairment loss for pledged assets taken-over	93,936	2,846	90,833	2,991
Pension expenses exceed the limit of tax law	177,064	5,364	174,814	5,756
Valuation of financial instruments	3,429,414	103,890	8,406,846	276,814
Provisions for possible losses	238,456	7,224	238,456	7,852
Others	842,078	25,510	309,267	10,183
Operating loss carry-forward (expiration year:2011)	$10,416,758	$315,564	$6,170,268	$203,170
Investment tax credit (expiration year:2011)	$688	$21	$9,974	$328
Deferred income tax assets of foreign branches	$52,426	$1,588	$84,284	$2,775

(3) Deferred tax assets	$6,166,834	$186,817	$5,168,099	$170,171
Deferred tax liabilities	(1,004,313)	(30,425)	(2,184,132)	(71,917)
Valuation allowance	(593,534)	(17,980)	(137,149)	(4,516)
Net deferred tax assets	$4,568,987	$138,412	$2,846,818	$93,738

(4) The Bank's income tax returns for the years prior to 2003 have been assessed by the tax authority.

(5) Lucky Bank's income tax returns for the years prior to 2004 have been assessed by the tax authority.

(6) The related information on shareholders' deductible income tax is as follows:

	March 31,			
	2007		2008	
	NT	US	NT	US
The Bank's imputation credit	$484,805	$14,687	$669,238	$22,036
Undistributed earnings	(1,581,524)	(47,910)	7,285,364	239,887

The following is the rate of tax credit available for dividends to the Bank's shareholders for the years 2006 and 2007:

	2006	2007
Cash dividends	-	10.42%

28. Earnings per share

(1) The computations of earnings per share are as follows:

	January 1 –March 31, In thousands of shares	
	2007	2008
Weighted-average shares outstanding	4,868,941	4,868,941

	January 1 – March 31,							
	2007				2008			
	Before income tax		After income tax		Before income tax		After income tax	
	NT	US	NT	US	NT	US	NT	US
Net income	$2,769,343	$83,894	$2,207,343	$66,869	$1,608,099	$52,950	$885,099	$29,144
Earnings per share (in dollars)								
Net income	$0.57	$0.017	$0.45	$0.014	$0.33	$0.011	$0.18	$0.006

(2) According to the regulations issued by the Securities and Futures Bureau, the Bank should assume that the dividends of the year 2006 and 2007 would be appropriated to the employee, directors and supervisors, and estimate earnings per share for the current year. However, the Bank had deficit for the year 2006. Consequently, no dividend will be distributed for the year. The assumption of year 2007 is shown as below(in NT dollars):

	2007 (Note I)
A. Distribution:	
Employees' bonus and contribution to welfare fund	$1,500
Directors and supervisors' remunerations	$-
B. Estimated earnings per share (in dollars) (Note)	$1.31

Note: The formula for calculating estimated earnings per share is as follows:

$$\text{Estimated earnings per share} = \frac{\text{Net income – employees' bonus and contribution to welfare fund – directors' and supervisors' remunerations}}{\text{Weighted-average number of common shares outstanding}}$$

Note I: The distribution has approved by the Bank's board of director and has not approved by bank's shareholders.

V. Related parties transactions

1. Name and relationships of related parties are as follows:

Name of related parties	Relationship
Cathay Financial Holding Co., Ltd.	Parent company
Cathay Life Insurance Co., Ltd.	Subsidiaries of Cathay Financial Holdings
Cathay Century Insurance Co., Ltd.	〃
Cathay Securities Corp.	〃
Cathay Pacific Venture Capital Co., Ltd.	〃
Cathay II Venture Capital Corp.	〃
Cathay Capital Management Inc.	〃
Cathay Lin Yuan Security Co., Ltd.	Affiliate
Cathay Securities Investment Consulting Co., Ltd.	〃
Cathay Securities Trust Co., Ltd.	〃
Cathay Global Money Market Fund etc.	The funds which are managed by Cathay Securities Trust Co., Ltd.
Cathay Insurance (Bermuda) Co., Ltd.	Affiliate
Lin Yuan Property Management and Maintenance Co., Ltd.	〃
Symphox Information Co., Ltd.	〃
Cathay Life Insurance Co., Ltd. (Shanghai)	〃
Cathay General Hospital	〃
Cathay Real Estate Development Co., Ltd.	〃
San Ching Engineering Corp.	〃
China England Co., Ltd.	〃
Industrial and Commercial Bank of Vietnam	〃
Cathay century Realty Co., Ltd.	〃
Cathay Biology Technology Co.	〃
Cathay Real Estate Holding Corp.	〃

Name of related parties	Relationship
Cathay Cultural Foundation	〃
Cathay Real Estate Management Co., Ltd.	〃
Sunny Asset Management Co.	〃
Shanghai China Eastern Media Co., Ltd.	〃
CEA Futures Brokerage Co., Ltd.	〃
Cathay Life Insurance (Vietnam) Co., Ltd.	〃
CEA Finance Holding Co., Ltd.	〃
CEA Finance Co., Ltd.	〃
China Eastern Airlines Co., Ltd.	〃
Shanghai East Fly Service Co., Ltd.	〃
CNDFMC (SCEA) Duty Free Merchandise Co., Ltd.	〃
China Eastern Aviation IMP/EXP Corp.	〃
China Eastern Real Estate Investment Co., Ltd.	〃
Shanghai China Eastern Airlines Jiangsu Ltd.	〃
Cathay Futures Corp.	〃
Seaward Leasing Ltd.	〃
Cathay Life Charity Foundation	Affiliate is the major sponsor of the foundation
Taiwan Real-estate Management Corp.	The investee is accounted for using the equity method
Taiwan Finance Corp.	〃
Seaward Card Co., Ltd.	〃
Indovina Bank	〃
Cathay Life Insurance Agent Co., Ltd.	〃
Cathay Property Insurance Agent Co., Ltd.	〃
Vista Technology Venture Capital Corp.	〃
Cathay venture Capital Corp.	〃
IBT Venture Co.	The investee is accounted for using the equity method by Cathay Financial Holdings
Taiwan Asset Management Corporation	The representative of the Bank is the chairman of the corporation
Culture and Charity Foundation of Cathay United Bank	The Bank is the major sponsor of the foundation
Lin Yuan Investment Co., Ltd.	Their chairman is a second immediate family member of the parent company's chairman.
Wan Pao Development Co., Ltd.	Their chairman is a second immediate family member of the parent company's chairman.
Others	Certain directors, supervisors, managers and relatives of the Bank's chairman and general manager and etc.

2. Significant transactions with the related parties are summarized as follows:

(1) Loans and Deposits

Accounts/Related parties	March 31, Account balance NT	US	% of Account	January 1- March 31, Interest income (expense) NT	US
2007					
Loans					
Seaward Leasing Ltd.	$2,120,000	$64,223	0.29	$9,221	$279
Taiwan Real-estate Management Corp.	130,000	3,938	0.02	897	27
Cathay General Hospital	282,969	8,572	0.04	1,959	60
Others	323,259	9,793	0.04	2,070	63
Total	$2,856,228	$86,526	0.39	$14,147	$429
Deposits					
Cathay Life Insurance Co., Ltd.	$9,350,553	$283,264	0.95	$(8,899)	$(270)
Cathay Financial Holding Co., Ltd.	3,837,675	116,258	0.39	(45,467)	(1,377)
Cathay Futures Corp.	928,651	28,132	0.09	(3,716)	(113)
Cathay Securities Corp.	1,068,305	32,363	0.11	(3,614)	(109)
Cathay Century Insurance Co., Ltd.	717,466	21,735	0.07	(2,389)	(72)
Cathay Pacific Venture Capital Co., Ltd.	520,752	15,776	0.05	(1,663)	(50)
Cathay Securities Trust Co., Ltd.	447,412	13,554	0.05	(2,007)	(61)
Cathay Real Estate Development Co., Ltd.	374,055	11,332	0.04	(30)	(1)
Others	2,706,002	81,975	0.28	(10,418)	(316)
Total	$19,950,871	$604,389	2.03	$(78,203)	$(2,369)

Accounts/Related parties	March 31, Account balance NT	US	% of Account	January 1- March 31, Interest income (expense) NT	US
2008					
Loans					
Seaward Leasing Ltd.	$3,014,000	$99,242	0.40	$16,651	$548
Taiwan Real-estate Management Corp.	114,000	3,754	0.01	796	26
Cathay General Hospital	258,000	8,495	0.03	1,674	55
Others	1,554,818	51,196	0.20	12,942	426
Total	$4,940,818	$162,687	0.64	$32,063	$1,055

Accounts/Related parties	March 31, Account balance NT	US	% of Account	January 1- March 31, Interest income (expense) NT	US
Deposits					
Cathay Life Insurance Co., Ltd.	$5,818,319	$191,581	0.56	$(11,446)	$(377)
Cathay Financial Holding Co., Ltd.	7,538,242	248,213	0.73	(25,657)	(845)
Cathay Futures Corp.	1,367,608	45,032	0.13	(7,109)	(234)
Cathay Securities Corp.	285,128	9,389	0.03	(1,135)	(37)
Cathay Century Insurance Co., Ltd.	867,182	28,554	0.08	(2,845)	(94)
Cathay Pacific Venture Capital Co., Ltd.	3,616	119	-	(5)	-
Cathay Securities Trust Co., Ltd.	842,656	27,746	0.08	(4,388)	(145)
Cathay Real Estate Development Co., Ltd.	139,954	4,608	0.01	(15)	-
Others	5,992,358	197,312	0.58	(34,158)	(1,125)
Total	$22,855,063	$752,554	2.20	$(86,758)	$(2,857)

Accounts / Related parties	January 1- March 31, Maximum balance NT	US	March 31, Account balance NT	US	January 1 –March 31, Interest income (expense) NT	US	Interest Rate (%)
2007							
Call loans to banks							
Indovina Bank	$115,301	$3,493	$-	$-	$2,686	$81	5-7.7
Due from commercial banks							
Indovina Bank	392,147	11,880	4,636	140	1,206	37	0.5-7.7
Call loans from banks							
Indovina Bank	338,114	10,243	-	-	(435)	(13)	5.14-8.7
Due to commercial banks							
Indovina Bank	41,027	1,243	19,632	595	-	-	-

	January 1- March 31, Maximum balance		March 31, Account balance		January 1 –March 31, Interest income (expense)		Interest
Accounts / Related parties	NT	US	NT	US	NT	US	Rate (%)
2008							
Call loans to banks							
Indovina Bank	$730,101	$24,040	$1,915,515	$63,073	$4,010	$132	3.4-26
Due from commercial banks							
Indovina Bank	372,027	12,250	2,859	94	98	3	0.5-2.16
Call loans from banks							
Indovina Bank	287,499	9,467	-	-	(467)	(15)	4.5-10
Due to commercial banks							
Indovina Bank	34,631	1,140	10,387	342	-	-	-

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

(2) Transactions under resale and repurchase agreements

	March 31, Account balance		January 1- March 31, Interest income (expense)	
Accounts/Related parties	NT	US	NT	US
2007				
Securities sold under agreements to repurchase				
Wan Pao Development Co., Ltd.	$4,282,194	$129,724	$(14,406)	$(436)
Others	1,052,147	31,874	(3,855)	(117)
Total	$5,334,341	$161,598	$(18,261)	$(553)
Securities purchased under agreements to resell				
Taiwan Finance Co.	$-	$-	$44	$1

Accounts/Related parties	March 31, Account balance NT	March 31, Account balance US	January 1- March 31, Interest income (expense) NT	January 1- March 31, Interest income (expense) US
2008				
Securities sold under agreements to repurchase				
Wan Pao Development Co., Ltd.	$662,631	$21,819	$(2,249)	$(74)
Others	1,905,565	62,745	(8,700)	(286)
Total	$2,568,196	$84,564	$(10,949)	$(360)

(3) Lease

	January 1- March 31,			
	2007		2008	
Accounts/Related parties	NT	US	NT	US
Rental income				
Seaward Leasing Ltd.	$43	$1	$43	$1
Culture and Charity Foundation of Cathay United Bank	250	8	250	8
Cathay Securities Corp.	1,257	38	1,344	44
Cathay Life Insurance Co., Ltd.	1,623	49	2,671	88
Cathay Century Insurance Co., Ltd.	60	2	62	2
Rental expense				
Cathay Life Insurance Co., Ltd.	64,106	1,942	72,615	2,391
Cathay Real Estate Development Co., Ltd.	2,695	82	2,830	93
Seaward Leasing Ltd.	2,910	88	3,535	116

	March 31,			
	2007		2008	
Account/Related parties	NT	US	NT	US
Refundable deposits				
Seaward Leasing Ltd. (Note)	$33,393	$1,012	$33,395	$1,100
Cathay Life Insurance Co., Ltd.	63,669	1,929	64,528	2,125
Cathay Real Estate Development Co., Ltd.	2,635	80	2,635	87

Note: Interest from refundable deposits substituted for rental expense payable to Seaward Leasing Ltd.

	March 31,			
	2007		2008	
Account/Related parties	NT	US	NT	US
Guarantee deposit received				
Cathay Securities Corp.	$1,325	$40	$1,325	$44
Cathay Life Insurance Co., Ltd.	1,744	53	2,430	80
Cathay Century Insurance Co., Ltd.	60	2	60	2

Transaction terms with the related parties are similar to those with third parties. Contract prices for related-party contracts are consistent with market prices, and payments are duly made and received in accordance with the terms of the contracts.

	January 1- March 31,			
	2007		2008	
Accounts/Related parties	NT	US	NT	US
(4) Commissions and handling fees income				
Cathay Life Insurance Co., Ltd.	$22,815	$691	$219,772	$7,236
Cathay Securities Co., Ltd.	814	25	853	28
Cathay Securities Trust Co., Ltd.	-	-	5,152	170
Cathay Century Insurance Co., Ltd.	8,166	247	19,153	631
(5) Other operating income				
Cathay Century Insurance Co., Ltd.	-	-	6,480	213
(6) Operating expenses				
Seaward Card Co., Ltd.	102,006	3,090	80,677	2,656
Cathay Life Insurance Co., Ltd.	28,547	865	21,992	724
Cathay Century Insurance Co., Ltd.	31,791	963	174	6
Symphox Information Co., Ltd.	42,953	1,301	145,519	4,792
Cathay Securities Corp.	600	18	600	20
Cathay Real Estate Development Co., Ltd.	1,825	55	4,419	146
Cathay Lin Yuan Security Co., Ltd.	505	15	1,105	36
(7) Insurance expenses paid				
Cathay Life Insurance Co., Ltd.	65,901	1,996	126,576	4,168
Cathay Century Insurance Co., Ltd.	36,375	1,102	33,159	1,092

Accounts/Related parties	March 31, 2007 NT	March 31, 2007 US	March 31, 2008 NT	March 31, 2008 US
(8) Receivable to related party for allocation of linked-tax system				
Cathay Financial Holdings	$868,302	$26,304	$1,049,350	$34,552
(9) Other receivables- cash dividends				
Indovina Bank	99,270	3,007	129,221	4,255
Seaward Leasing Ltd.	218,761	6,627	-	-
(10) Refundable deposit				
Cathay Futures Corp.	39,292	1,190	39,292	1,294
(11) Accrued expenses				
Seaward Card Co., Ltd.	9,914	300	-	-
(12) Accounts payable				
Symphox Information Co., Ltd.	-	-	93,590	3,082
Cathay Securities Corp.	-	-	200	7
Cathay Century Insurance Co., Ltd.	-	-	14,588	480

(17)Others

a. The Bank entered into a contract with San Ching Engineering Corp. to build the Nei-hu Financial Building and North Taoyuan Branch totaling NT$1,411,880 (US$42,655), in 2006. The Bank paid the amount of NT$159,173(US$5,241) during the three-month period ended March 31, 2008. As of March 31, 2008, the accumulated paid amount was NT$720,996(US$23,740).

b. The Bank has paid decoration and fix fee to San Ching Engineering Corp. for the amount of NT$0 (US$0) and NT$1,251(US$41) during the three-month periods ended March 31, 2007 and 2008, respectively.

c. The Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management and Maintenance Co., Ltd. in the amount of NT$4,960 (US$150) and NT$5,702 (US$188) during the three-month periods ended March 31, 2007 and 2008, respectively.

d. The Bank paid information maintenance service fees to Symphox Information Co., Ltd. in the amount of NT$3,240 (US$98) during the three-month period ended March 31, 2007.

e. The Bank purchased bonus points of exchanging merchandise for the Bank's customer from Symphox Information Co., Ltd. during the three-month periods ended March 31, 2007 and 2008, respectively. As of March 31, 2007 and 2008, the bonus points which not converting amount was NT$13,356 (US$405) and NT$27,378 (US$901).

f. The Bank enters into a contract with Cathay Life Incurrence Co., Ltd. to transferring credit facilities. The transferring loan amount was NT1, 000,000(US$32,927) during the three-month period ended March 31, 2008.

g. As of March 31, 2008, the Cathay Life Insurance Co., Ltd. held the dominant financial debenture with notional amounts of NT$200,000 (US$6,585) which issued by the Bank in 2003.

The terms of the foregoing transactions with related parties are similar to those with third parties.

Combined disclosures have been made for transactions with related parties that are under a certain percentage of the total amount of all transactions with related parties and non-related parties.

(18) Transactions of derivative financial instruments

			Notional amount		Valuation gains (losses)	
Related parties	Category of agreements	Term of agreements	NT	US	NT	US
March 31, 2007						
Cathay Life Insurance Co., Ltd.	Forward	2006.8.14~2008.1.14	$26,715,811	$809,325	$262,056	$7,939
	Non-delivery forward	2007.3.5~2007.7.16	1,323,600	40,097	(51,818)	(1,570)
	Currency swap	2006.10.5~2007.9.17	49,699,935	1,505,602	421,676	12,774
	Interest rate swap	2006.1.20~2010.1.9	1,800,000	54,529	(2,368)	(72)
Cathay Century Insurance Co., Ltd.	Forward	2006.11.10~2008.1.17	486,684	14,744	5,943	180
	Non-delivery forward	2006.11.10~2007.11.20	209,976	6,361	(3,379)	(102)

Related parties	Category of agreements	Term of agreements	Notional amount NT	Notional amount US	Valuation gains (losses) NT	Valuation gains (losses) US
	Currency swap	2007.3.5~2008.3.24	4,154,450	125,854	98,528	2,985
The funds which are managed by Cathay Securities Trust Co., Ltd.	Forward	2007.3.2~2007.5.2	4,834,983	146,470	(10,083)	(305)
	Non-delivery forward	2007.2.27~2007.5.8	1,737,225	52,627	(49,166)	(1489)
	Currency swap	2007.3.2~2007.6.4	120,779	3,659	(306)	(9)
March 31, 2008						
Cathay Life Insurance Co., Ltd.	Forward	2007.7.24~2008.4.28	$1,216,200	$40,046	$302,311	$9,954
	Currency swap	2007.7.23~2009.3.31	39,070,425	1,286,481	(1,676,646)	(55,207)
	Interest rate swap	2007.6.4~2016.6.4	1,800,000	59,269	(14,704)	(484)
Cathay Century Insurance Co., Ltd.	Forward	2007.11.14~2009.1.20	422,630	13,916	14,980	493
	Non-delivery forward	2007.11.14~2009.1.20	250,841	8,259	(28,920)	(952)
	Currency swap	2007.3.24~2009.3.24	807,253	26,581	(44,144)	(1,454)
	Interest rate swap	2008.9.29~2013.9.30	400,000	13,171	(1,327)	(44)
The funds which are managed by Cathay Securities Trust Co., Ltd.	Forward	2008.3.3~2008.4.3	532,088	17,520	(10,182)	(335)
	Non-delivery forward	2008.3.3~2008.4.3	198,545	6,538	(57)	(2)

VI. ASSETS PLEDGED OR MORTGAGED

See Notes IV.

VII. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2008, the Bank had the following commitments and contingent liabilities, which are not reflected in the financial statements:

	NT	US
1. Entrusted Items and Guarantees:		
Trust and security held for safekeeping	$231,117,431	$7,610,057
Travelers checks for sale	500,114	16,467
Bills for collection	46,053,664	1,516,420
Book-entry for government bonds and depository for short-term marketable securities under management	354,588,200	11,675,608
Entrusted financial management business	2,107,740	69,402
Guarantees on duties and contracts	17,885,446	588,918
Unused commercial letters of credit	4,509,716	148,492
Irrevocable loan commitments	46,506,225	1,531,321
Credit card lines commitments	277,554,807	9,139,111
Stamp tax, securities and memorial currency consignments	1,727	57

2. As of March 31, 2008, the Bank had various lawsuits and proceedings. The significant ones are summarized below:

   On January 1, 2004, Pacific SOGO issued its own SOGO membership card, which the Bank believes constitutes a breach of Pacific SOGO's co-branded card contract with the Bank. The Bank has filed a motion of injunction against certain of Pacific SOGO's properties and the issuance of its own membership cards. About provisional measures, the Taipei District Court and the High Court adjudged that the Bank win the lawsuit. However, Pacific SOGO appealed and the appeal is being reviewed by the Supreme Court. Furthermore, the Bank also filed an incidental civil procedures and claim, which is being review by the Taipei District Court, against Pacific SOGO. Then the Taipei District Court issued a judgment favoring the Bank in October, 2006, ordering Pacific SOGO to pay the punitive damages of NT$400,000 (US$13,171). Pacific SOGO appealed such order and the appeal is being reviewed by the High Court.

   Lee and Li Attorneys-at-Law and SanDisk Corporation filed lawsuits in the Taiwan Taipei District Court and alleged that the Bank breached its contractual and fiduciary duties in connection with the embezzlement conducted by Eddie Liu, a former employee of Lee and Li Attorneys-at-Law on October 2003. Both plaintiffs claimed indemnities amounted NT$0.9 billion (US$29 million) and NT$3.09 billion (US$101 million), respectively. The Bank has been advised by its legal advisor that it is possible, but not probable, that the action will succeed and accordingly no provision for such claims has been made in these financial statements.

3. As of March 31, 2008, the Bank had entered into certain contracts to purchase premises and equipments totaling NT$2,713,409 (US$89,345) with prepayments of NT$1,608,558 (US$52,965).

4. According to the operating leases agreement, rentals for lease should be paid in future are as follows:

Periods	NT	US
2008.4.1~2009.3.31	$877,509	$28,894
2009.4.1~2010.3.31	720,318	23,718
2010.4.1~2011.3.31	585,178	19,268
2011.4.1~2012.3.31	519,990	17,122
2012.4.1~2013.3.31	470,609	15,496

VIII. Significant disaster losses

None.

IX. Significant subsequent event

None.

X. Disclosure of financial instruments information

1. Information of fair value

	March 31, 2007			
	Book value		Fair value	
	NT	US	NT	US
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	$49,891,092	$1,511,393	$49,891,092	$1,511,393
Available-for-sale financial assets	55,322,764	1,675,940	55,322,764	1,675,940
Held-to-maturity financial assets and debt securities with no active market	284,601,469	8,621,674	284,644,288	8,622,971
Investment accounted for using equity method	2,350,127	71,195	2,350,127	71,195
Others	850,364,392	25,760,811	850,364,392	25,760,811

	March 31, 2007			
	Book value		Fair value	
	NT	US	NT	US
Liabilities				
Financial liabilities at fair value through profit or loss	$49,238,635	$1,491,628	$49,238,635	$1,491,628
Financial debentures payable	18,335,868	555,464	18,335,868	555,464
Others	1,129,752,977	34,224,568	1,129,752,977	34,224,568
Derivative financial instruments				
Assets				
Forward	2,449,010	74,190	2,449,010	74,190
Non-delivery forward	188,390	5,707	188,390	5,707
Currency swap	2,401,773	72,759	2,401,773	72,759
Interest rate swap	778,105	23,572	778,105	23,572
Cross currency swap	220	7	220	7
Futures	21	1	21	1
Options	10,304	312	10,304	312
Credit derivative instruments	51,217	1,551	51,217	1,551
Credit default swap	(95)	(3)	(95)	(3)
Liabilities				
Forward	592,217	17,941	592,217	17,941
Non-delivery forward	186,837	5,660	186,837	5,660
Currency swap	3,669,140	111,153	3,669,140	111,153
Interest rate swap	1,473,196	44,628	1,473,196	44,628
Cross currency swap	392,144	11,880	392,144	11,880
Futures	26	1	26	1
Options	10,416	316	10,416	316
Credit derivative instruments	31,735	961	31,735	961
Credit default swap	(449)	(14)	(449)	(14)

	March 31, 2008			
	Book value		Fair value	
	NT	US	NT	US
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	$31,843,883	$1,048,531	$31,843,883	$1,048,531
Available-for-sale financial assets	59,816,112	1,969,579	59,816,112	1,969,579
Held-to-maturity financial assets and debt securities with no active market	262,227,444	8,634,423	262,174,356	8,632,676
Investment accounted for using equity method	2,372,144	78,108	2,372,144	78,108
Others	894,195,916	29,443,395	894,195,916	29,443,395

	March 31, 2008			
	Book value		Fair value	
	NT	US	NT	US
Liabilities				
Financial liabilities at fair value through profit or loss	39,640,876	1,305,264	39,640,876	1,305,264
Financial debentures payable	18,212,705	599,694	18,212,705	599,694
Others	1,150,962,251	37,898,000	1,150,962,251	37,898,000
Derivative financial instruments				
Assets				
Forward	$1,178,957	$38,820	$1,178,957	$38,820
Non-delivery forward	202,485	6,667	202,485	6,667
Currency swap	5,809,054	191,276	5,809,054	191,276
Interest rate swap	1,758,707	57,909	1,758,707	57,909
Cross currency swap	25,087	826	25,087	826
Options	290,363	9,561	290,363	9,561
Liabilities				
Forward	5,377,315	177,060	5,377,315	177,060
Non-delivery forward	200,693	6,608	200,693	6,608
Currency swap	999,032	32,896	999,032	32,896
Interest rate swap	846,928	27,887	846,928	27,887
Cross currency swap	319,504	10,520	319,504	10,520
Options	290,371	9,561	290,371	9,561
Credit derivative instruments	363,531	11,970	363,531	11,970

2. The methodologies and assumptions used by the Bank to estimate the above fair value of financial instruments are summarized as following:

(1) The carrying value of short-term financial instruments, such as cash and cash equivalents, receivables, securities purchased under agreements to resell, securities sold under agreements to repurchase, payables, refundable deposits, Guarantee deposits, borrowed funds, due from the Central Bank and call loans to banks and due to the Central Bank and call loans from banks arising in the ordinary course of business, approximate fair value because of the relatively short period of time between their origination and expected realization.

(2) Quoted market price, if available, are utilized as estimates of the fair values of financial instruments at fair value through profit or loss, available-for-sale financial instruments and held-to-maturity financial assets. If no quoted market prices exist for certain of the

Bank's financial instruments, the fair value of such instruments has been derived based on pricing models. A pricing model incorporates all factors that market participants would consider in setting a price. The Bank uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics.

(3) Discounts, loans and deposits are classified as interest-bearing financial assets. Thus, their face value is equivalent to their fair value.

The face value of delinquent accounts deducted from allowance for doubtful accounts is adopted as fair value.

(4) The value of debt securities with no active market, financial assets carried at cost and investments accounted for using equity method is determined by pricing models. A pricing model incorporates all factors that market participants would consider in setting a price. If fair value of equity security cans not reliable measurement, fair value is equal to carrying value.

(5) Fair value of financial debentures payable is based on quoted market price. If quoted market price is not available, pricing models are utilized to assess the fair value of such instruments.

(6) If there is a quoted market price in an active market, the quoted market price of derivative financial instruments is regarded as fair value. Otherwise, if the market for a derivative financial instrument is not active, the Bank assesses fair value by using pricing models.

3. The fair values of the Bank's financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

	March 31, 2007			
	Value determined by quoted market price		Value determined by pricing models	
	NT	US	NT	US
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	$46,992,092	$1,423,571	$2,899,000	$87,822
Available-for-sale financial assets	55,322,764	1,675,940	-	-
Held-to-maturity financial assets and debt securities without active market	222,747,821	6,747,889	61,896,467	1,875,082
Others	(Note)	(Note)	(Note)	(Note)
Liabilities				
Financial liabilities at fair value through profit or loss	-	-	49,238,635	1,491,628
Financial debentures payable	-	-	18,335,868	555,464
Others	(Note)	(Note)	(Note)	(Note)

	March 31, 2007			
	Value determined by quoted market price		Value determined by pricing models	
	NT	US	NT	US
Derivative financial instruments				
Assets				
Forward	-	-	2,449,010	74,190
Non-delivery forward	-	-	188,390	5,707
Currency swap	-	-	2,401,773	72,759
Interest rate swap	-	-	778,105	23,572
Cross currency swap	-	-	220	7
Futures	21	1	-	-
Options	-	-	10,304	312
Credit derivative instruments	-	-	51,217	1,551
Credit default swap	-	-	(95)	(3)
Liabilities				
Forward	-	-	592,217	17,941
Non-delivery forward	-	-	186,837	5,660
Currency swap	-	-	3,669,140	111,153
Interest rate swap	-	-	1,473,196	44,628
Cross currency swap	-	-	392,144	11,880
Futures	26	1	-	-
Options	36	1	10,380	315
Credit derivative instruments	-	-	31,735	961
Credit default swap	-	-	(449)	(14)

	March 31, 2008			
	Value determined by quoted market price		Value determined by pricing models	
	NT	US	NT	US
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	$30,436,445	$1,002,188	$1,407,438	$46,343
Available-for-sale financial assets	50,413,492	1,659,977	9,402,620	309,602
Held-to-maturity financial assets and debt securities without active market	215,886,817	7,108,555	46,287,539	1,524,120
Others	(Note)	(Note)	(Note)	(Note)
Liabilities				
Financial liabilities at fair value through profit or loss	-	-	39,640,876	1,305,264
Financial debentures payable	-	-	18,212,705	599,694
Others	(Note)	(Note)	(Note)	(Note)

	March 31, 2008			
	Value determined by quoted market price		Value determined by pricing models	
	NT	US	NT	US
Derivative financial instruments				
Assets				
Forward	$-	$-	$1,178,957	$38,820
Non-delivery forward	-	-	202,485	6,667
Currency swap	-	-	5,809,054	191,276
Interest rate swap	-	-	1,758,707	57,909
Cross currency swap	-	-	25,087	826
Options	-	-	290,363	9,561
Liabilities				
Forward	-	-	5,377,315	177,060
Non-delivery forward	-	-	200,693	6,608
Currency swap	-	-	999,032	32,896
Interest rate swap	-	-	846,928	27,887
Cross currency swap	-	-	319,504	10,520
Options	-	-	290,371	9,561
Credit derivative instruments	-	-	363,531	11,970

Note: Most of such assets and liabilities are investment accounted for cost or using equity method. The amount of fair value is not determined by quoted market price or pricing models but estimated face value.

4. Gains recognized for the changes in fair value of financial asset or liabilities determined by pricing models were NT$197,310 (US$5,977) and NT$170,605 (US$5,618) for the three-month periods ended March 31, 2007 and 2008, respectively.

5. The interest income arising from other than financial assets or liabilities at fair value through profit or loss for the three-month periods ended March 31, 2007 and 2008 were NT$10,342,290 (US$313,308) and NT$10,027,686 (US$330,184), and expenses were NT$3,045,270 (US$92,253) and NT$4,747,217 (US$156,313), respectively.

6. The Bank recognized an unrealized gains or losses of NT$175,756(US$5,324) and NT$608,289 (US$20,029) in shareholders' equity for the changes in fair value of available-for-sale financial assets and a realized gains of NT$27,116(US$821) and NT$365,419 (US$12,032) in income statement, for the three-month periods ended March 31, 2007 and 2008, respectively.

7. Interest income of NT$9 (US$0) and NT$0 from financial assets were impaired which were assessed by discount rate of cash flow for the three-month periods ended March 31, 2007 and 2008, respectively.

8. Information on financial risk

(1) Market risk

Market risk is the potential loss arising from adverse movements of market price, such as interest rates, foreign exchange rates and equity securities.

① Interest rate risk

If interest rates are rising, the fair value of the Bank's fixed-rate bond investments such as government bonds and corporate bonds may decline.

② Foreign exchange risk

The Bank manages foreign exchange risk by matching foreign currency assets and liabilities. The Bank trades in currencies and derivative instruments, primarily spot and forward exchange contracts and currency swaps, to manage asset and liability positions and hedge against the Bank's commercial positions. As most of foreign currency assets and liabilities are matched, the foreign exchange risk is insignificant.

③ Equity securities price risk

The Bank may expose to risk when the price of equity securities, such as stocks, mutual funds and TAIEX Futures and Options, moves in adverse direction.

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

January 1 - March 31, 2008						
	Average balance		Maximum balance		Minimum balance	
Factors of market risk	NT	US	NT	US	NT	US
Interest rate	$146,706	$4,831	$191,605	$6,309	$71,356	$2,350
Foreign exchange	191,730	6,313	388,037	12,777	3,842	127
Equity Securities price	165,107	5,437	250,352	8,243	109,667	3,611

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

Market risk factor sensitivity is one of the tools to manage market risk. Market risk factor sensitivities of a position are defined as the change in the value of a position caused by a unit shift in a given market factor. Market risk factor sensitivities include interest rate, foreign exchange rate and equity factor sensitivities.

Foreign exchange rate factor sensitivities ("FX delta") represent the foreign exchange portfolios caused by the underlying currency exchange rate at the balance sheet date.

Interest rate factor sensitivities (the present value of one basis point, or "PVBP") represent the change in the net present value of the interest rate derivatives portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting a portfolio. The Bank's interest rate-sensitive portfolios include bonds, interest rate swaps and structured products composed of such products.

Equity factor sensitivities ("Equity delta") represent the change of the equity portfolio of the underlying stocks prices. The Bank's equity portfolios include stocks and equity index options.

(In thousands of US dollars)

	Currency	March 31, 2008
FX factor sensitivity (FX Delta)		
	USD	$(23,869)
	JPY	177
	NTD	22,183
	HKD	(1,975)
Interest rate factor sensitivity (PVBP)		
	USD	(1,267)
	JPY	(3)
	NTD	(900)
	HKD	1
Equity factor sensitivity (Equity Delta)		
	NTD	1,699

(2) Credit risk

Credit risk represents the risk of loss that the Bank would incur if counterparty fails to perform the Bank's contractual obligations.

To centralize risk management functions currently handled by different departments, the Bank's board of directors resolved that a risk management department would be established to manage the credit risks. The objectives of credit risk management are to improve asset quality and to generate stable profits while reducing risk through a diversified and balance loan portfolio. The Bank's board of directors sets the counterparty credit limits, which are then implemented by credit committee. The credit committee also monitors current and potential credit exposure to individual counterparties and on an aggregate basis to counterparties and their affiliates. The Bank performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectability of those portfolios.

The Bank maintains a strict policy to evaluate customers' credit ratings when providing loan commitments and commercial letters of credit transactions. Certain customers are required to provide appropriate collateral for the related loans, and the Bank retains the legal right to foreclose on or liquidate the collateral.

① Information on concentrations of credit risk:

	March 31, 2007			
	Carrying value		Maximum credit risk exposed amount	
Financial assets	NT	US	NT	US
Non-derivative financial instruments				
Financial assets at fair value through profit or loss	$49,891,092	$1,511,393	$49,891,092	$1,511,393
Available-for-sale financial assets	55,322,764	1,675,940	55,322,764	1,675,940
Held-to-maturity financial assets and debt securities with no active market	284,601,469	8,621,674	284,601,469	8,621,674
Investment accounted for using equity method	2,350,127	71,795	2,350,127	71,795
Others	850,364,392	25,760,811	850,364,392	25,760,811
Guarantees on duties and contracts	-	-	17,493,763	529,953
Unused commercial letters of credit	-	-	1,898,369	57,509
Irrevocable loan commitments	-	-	36,967,068	1,119,875
Credit card line commitments	-	-	281,924,656	8,540,583

Financial assets	March 31, 2007			
	Carrying value		Maximum credit risk exposed amount	
	NT	US	NT	US
Derivative financial instruments				
Forward	2,449,010	74,190	2,449,010	74,190
Non-delivery forward	188,390	5,707	188,390	5,707
Currency swap	2,401,773	72,759	2,401,773	72,759
Interest rate swap	778,105	23,572	778,105	23,572
Cross currency swap	220	7	220	7
Futures	21	1	21	1
Options	10,304	312	10,304	312
Credit derivative instruments	51,217	1,551	51,217	1,551

Financial assets	March 31, 2008			
	Carrying value		Maximum credit risk exposed amount	
	NT	US	NT	US
Non-derivative financial instruments				
Financial assets at fair value through profit or loss	$31,843,882	$1,048,531	$31,843,882	$1,048,531
Available-for-sale financial assets	59,816,112	1,969,579	59,816,112	1,969,579
Held-to-maturity financial assets and debt securities with no active market	262,227,444	8,634,423	262,227,444	8,634,423
Investment accounted for using equity method	2,372,144	78,108	2,372,144	78,108
Others	894,195,916	29,443,395	894,195,916	29,443,395
Guarantees on duties and contracts	-	-	17,885,446	588,918
Unused commercial letters of credit	-	-	4,509,716	148,492
Irrevocable loan commitments	-	-	46,506,225	1,531,321
Credit card line commitments	-	-	277,554,807	9,139,111
Derivative financial instruments				
Forward	$1,178,957	$38,820	$1,178,957	$38,820
Non-delivery forward	202,485	6,667	202,485	6,667
Currency swap	5,809,054	191,276	5,809,054	191,276
Interest rate swap	1,758,707	57,909	1,758,707	57,909
Cross currency swap	25,087	826	25,087	826
Options	290,363	9,561	290,363	9,561

② The Bank does not believe it has high levels of risk concentration with regard to any single customer or transaction. However, the Bank is likely to be exposed to region or industry concentration risk. The Banks' information of concentration of credit risk is as follows:

	March 31,			
	2007		2008	
	NT	US	NT	US
Loans, customers' liabilities under acceptances, bill purchased and guarantees account				
Industry type				
Manufacturing	$108,006,686	$3,271,938	$111,743,466	$3,679,403
Financial institutions and insurance	52,150,734	1,579,847	46,237,332	1,522,467
Leasing and real estate	75,733,804	2,294,269	78,716,131	2,591,904
Individuals	406,314,885	12,308,842	420,276,265	13,838,534
Others	115,203,839	3,489,968	130,682,449	4,303,011
Total	757,409,948	22,944,864	787,655,643	25,935,319
Valuation allowance	(14,319,770)	(433,801)	(9,209,041)	(303,228)
Maximum credit risk exposed	$743,090,178	$22,511,063	$778,446,602	$25,632,091
Geographic Region				
Domestic	$709,552,653	$21,495,082	$725,901,605	$23,901,930
South East Asia	11,574,959	350,650	18,890,253	622,004
North East Asia	140,302	4,250	333,696	10,987
America	9,979,246	302,310	12,423,066	409,057
Others	26,162,788	792,572	30,107,023	991,341
Total	757,409,948	22,944,864	787,655,643	25,935,319
Valuation allowance	(14,319,770)	(433,801)	(9,209,041)	(303,228)
Maximum credit risk exposed	$743,090,178	$22,511,063	$778,446,602	$25,632,091

(3) Liquidity risk

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations.

Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds the Bank believe the Bank can generate within that period. As part of our liquidity risk management, the Bank focuses on a number of components, including tapping available sources of liquidity, preserving necessary funds at reasonable cost and continuous contingency planning.

The Bank's asset and liability management committee is responsible for overall liquidity risk management. The Bank's liquidity policy focuses on cash flow management, interbank funding capacity and the maintenance of sufficient liquid assets. The treasury department is responsible for daily operation and monitoring. The primary tools for monitoring liquidity include measurement of liquidity risk, analysis of interest rate sensitivity and scenario simulation, and continuous contingency planning. The Bank manages liquidity risks across all classes of assets and liabilities with the goal that even under adverse conditions.

The liquidity risk rate was 26.99%. Capital and working capital of the Bank have sufficed to deliver contracts. The Bank has raised sufficient capital to execute the obligations so that it is without liquidity risk.

(4) Cash flow risk and fair value risk of interest rate fluctuation

The Bank's financial debentures payable was matched with the interest rate swap and currency swap contracts which had been transferred from fixed rate to floating rate.

Except for default or redemption in advance, expected reset and maturity dates of interest-bearing financial instruments are confirmed under related contracts. As of March 31, 2008, there is no significant change in these dates.

As of March 31, 2007 and 2008, respectively, the effective interest rates of financial instruments held and issued by the Bank are classified as follows:

	Effective interest rate (%)	
Financial instruments	March 31, 2007	March 31, 2008
Available-for-sale financial assets		
Bonds	1.6701-6.8376	1.69931-6.82261
Overseas financial instruments	1	0-4.5375
Held-to-maturity financial assets		
Bonds	1.66-6.95	2.23310-6.95008
Overseas financial instruments	3.45-6.36	3.45-4.095
Investments in debt securities with no active market		
Preferred stocks	5	5
Certificates of deposit	1.69-1.923	1.88-3
Overseas financial instruments	0-7.82	0-6.275
Financial debentures payable	2-5.59	2-5.593

9. Fair value hedge

The interest rate swap is used to hedge interest rate fluctuations of financial debentures payable with fixed rate:

	Hedging instruments				
		Financial assets (liability) Fair value			
	Derivative designated as	March 31,2007		March 31,2008	
Hedged item	hedging instruments	NT	US	NT	US
Financial debentures payable	Interest rate swap	$(486,029)	$(14,724)	$787,019	$25,914

The hedge is regarded as highly effective, at inception and throughout the life of the hedge, the Bank can expect changes in the fair value of the hedged item that are attributable to the hedged risk to be almost fully offset by the changes in the fair value of the hedging instrument and actual results are within a range of 80-125 percent.

XI. Others

1. Disclosures information of CUTIC which was acquired by the Bank is as follow:

(1) Brief introduction to transferor:

CUTIC was established in October 1971 to engage in the operations of trust and investment.

The Central Deposit Insurance Corporation (“CDIC”) to take CUTIC into receivership beginning from March 30, 2007. The move was taken in response to deteriorating financial and operating conditions at CUTIC, where net worth had dipped into the red.

(2) Purpose of the transfer of assets and liabilities and related regulations:

(a) Purpose: To create a successful branch networking profit through 20 branch channels in the future. Furthermore, by expanding the branch channel, the Bank could provide customers more convenient and diversifying financial services to gain long-term profitability.

(b) Regulations: Pursuant to Article 9 and 18 of The Financial Institutions Merger Act, and Article 36 of the Security Exchange Act.

(3) Effective date of the transfer: December 29, 2007.

(4) Type, quantity, and amount of marketable securities issued for the transfer: None.

(5) Accounting treatment for assets acquired and liabilities assumed:

(a) Accounting methods for the transfer: the Bank assumed the specific assets and liabilities including operations of CUTIC and the difference in the amount of money received from Financial Restructuring Fund (the "FRF") and net fair value of identifiable net assets acquired is recognized as goodwill.

(b) Relevant accounts and amounts of assets and liabilities assumed through the transfer:

	Amount	
	NT	US
Assets	$59,212,341	$1,793,770
Liabilities	74,549,715	2,258,398
Net	(15,337,374)	(464,628)
Received from the FRF	8,800,000	266,586
Goodwill arising on acquisition	$(6,537,374)	$(198,042)

On December 29, 2007, the Bank has received NT$8,800 (US$267) million as cash subsidy from the FRF and CDIC, and will settle the rest amount pursuant to contract. The initial purchase price allocations may be adjusted within one year of the acquired date for changes in estimates of the fair value of assets acquired and liabilities assumed.

2. Average balances and average interest rates of interest-earning assets and interest-bearing liabilities

	January 1-March 31, 2007		
	Average balance		Average rate
	NT	US	(%)
Assets			
Due from the Central Bank	$26,760,925	$810,691	1.50%
Time certificates, discounted bills and others	241,945,274	7,329,454	1.80%
Due from commercial banks and call loans to banks	17,927,637	543,097	3.40%
Discounts and loans	715,526,437	21,676,051	3.45%
Bills purchased	7,980	242	3.70%
Bonds	135,061,237	4,091,525	4.23%
Receivables-credit card revolving balance	25,886,634	784,206	12.75%
Securities purchased under agreements to resell	405,977	12,299	1.87%

	January 1-March 31, 2007		
	Average balance		Average rate
	NT	US	(%)
Liabilities			
Due to banks	101,553,938	3,076,460	4.09%
Demand deposits	104,958,186	3,179,588	0.46%
Saving deposits	612,718,448	18,561,601	1.08%
Time deposits	232,651,170	7,047,900	2.48%
Negotiable certificates of deposit	4,035,238	122,243	1.53%
Securities sold under agreements to repurchase	25,004,887	757,494	1.47%
Financial debentures	68,339,307	2,070,261	2.51%
Funds borrowed from the Central Bank and other banks	1,133,612	34,341	4.35%

	January 1-March 31, 2008		
	Average balance		Average rate
	NT	US	(%)
Assets			
Due from the Central Bank	$26,788,634	$882,076	1.50%
Time certificates, discounted bills and others	203,169,361	6,689,804	2.17%
Due from commercial banks and call loans to banks	25,813,441	849,965	3.27%
Discounts and loans	756,817,869	24,919,917	3.55%
Bills purchased	4,896	161	2.53%
Bonds and beneficiary certificates	134,085,326	4,415,058	4.05%
Receivables-credit card revolving balance	16,211,587	533,803	18.23%
Securities purchased under agreements to resell	1,114,978	36,713	1.95%
Liabilities			
Due to banks	$68,943,679	$2,270,124	3.22%
Demand deposits	111,530,379	3,672,387	0.40%
Saving deposits	606,910,553	19,983,884	1.25%
Time deposits	288,067,633	9,485,269	2.56%
Negotiable certificates of deposit	2,663,989	87,718	1.75%
Securities sold under agreements to repurchase	20,157,304	663,724	1.78%
Financial debentures	61,670,924	2,030,653	2.47%
Funds borrowed from the Central Bank and other banks	1,897,512	62,480	3.50%

3. Regulatory capital ratio

Pursuant to the regulations of the Banking Law, the ratio of a bank's eligible capital to its risk-weighted assets may not be less than 8%; if such ratio is less than the prescribed ratio, the Bank's ability to distribute surplus profits may be restricted by the relevant governmental regulatory authority in charge.

As of December 31, 2007, the ratio (excluded consolidated subsidiary from the calculation) of the Bank's eligible capital to its risk-weighted assets was 11.13%.

As of December 31, 2006, the ratio (excluded consolidated subsidiary from the calculation) of the Bank and Lucky Bank was 12.32% and 11.53%, respectively.

4. The information related about the merger with Lucky Bank is as follows：

The Bank merged with Lucky Bank since January 1, 2007. Because the Bank and Lucky Bank are both 100% owned subsidiaries of Cathay Financial Holding Co., Ltd., the accounting of this merger was treated as reorganization and recorded at the book value of both entities' assets and liabilities. The financial statements of the Bank should be retroactively restated assuming the Lucky Bank had been merged at the beginning of each of the periods presented. The net assets, amounted to NT$4,000,979 (US$131,741) based on the book value of Lucky Bank, acquired by the Bank through a share swap (at ratio of 0.7212 shares and issued 226,889 thousands new shares of the Bank) transaction. The net assets acquired by the Bank are as follows：

Items	NT	US
Cash and cash equivalents	$6,461,558	$212,761
Due from the Central Bank and call loans to banks	2,410,995	79,387
Available-for-sale financial assets, net	528,186	17,392
Receivables, net	299,492	9,862
Discounts and loans, net	53,668,319	1,767,149
Premises and equipment, net	1,633,660	53,792
Other financial assets, net	23,495,274	773,635
Other assets	506,457	16,676
Call loans from banks	(145,219)	(4,782)
Payables	(1,695,272)	(55,821)
Deposits and remittances	(82,958,055)	(2,731,579)
Other liabilities	(204,416)	(6,731)
Subtotal	4,000,979	131,741
Issued shares for the merger	(2,268,895)	(74,708)
Unrealized gain on financial instrument	17,292	569
Capital reserves from the merger	$1,749,376	$57,602

The Bank currently does not have the plan to dispose any significant assets acquired mentioned above, because most of them will be used by the Bank for its operating activity.

5. The Bank, Cathay Financial Holding Co., Ltd. and other subsidiaries of Cathay Financial Holdings for cross selling business allocates the related income and expense by business nature directly attributed to each subsidiary.

6. As of March 31, 2007 and 2008, the assets and liabilities managed under the Bank's trust were NT$178,134,423 (US$5,396,378) and NT$365,543,821 (US$12,036,346), respectively.

7. Certain comparative figures in the financial statements have been reclassified to conform to the current period's presentation.