

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Financial Statements
As of December 31, 2007 and 2008
With Independent Auditors' Report

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

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

To: Board of Directors
Cathay Financial Holding Co., Ltd.

We have audited the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. (the "Company") and its subsidiaries ("Subsidiaries") as of December 31, 2007 and 2008 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and Subsidiaries as of December 31, 2007 and 2008 and the results of its operations and its cash flows for the years then ended in conformity with Requirements of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies and generally accepted accounting principles in the Republic of China.

Ernst & Young
Taipei, Taiwan
The Republic of China
February 26, 2009

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdiction. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated balance sheets
As of December 31, 2007 and 2008
(Expressed in thousands of dollars)

	Notes	December 31, 2007		December 31, 2008	
		NT \$	US \$	NT \$	US \$
Assets					
Cash and cash equivalents	2,4	\$381,587,302	\$11,766,491	\$400,986,802	\$12,240,134
Due from the Central Bank and call loans to banks		58,973,222	1,818,477	47,621,198	1,453,639
Financial assets at fair value through profit or loss	2,5	135,245,243	4,170,374	126,813,079	3,870,973
Securities purchased under agreements to resell		18,427,144	568,213	11,748,246	358,616
Receivables -net		80,998,220	2,497,633	84,805,400	2,588,687
Loans -net	2,6	1,306,756,704	40,294,687	1,362,904,646	41,602,706
Available-for-sale financial assets -net	2,7	473,119,410	14,588,943	483,418,435	14,756,363
Held-to-maturity financial assets -net	2,8	587,561,561	18,117,840	653,052,341	19,934,443
Investments under equity method	2,9	3,022,508	93,201	2,616,092	79,856
Other financial assets -net	2,10	46,080,095	1,420,910	36,420,942	1,111,750
Investments in debt securities with no active market		126,849,092	3,911,474	130,161,509	3,973,184
Separate account products assets		254,052,254	7,833,865	193,454,651	5,905,209
Investments in real estate	2,11	106,384,870	3,280,446	109,643,616	3,346,875
Property and equipment -net		41,567,665	1,281,766	40,479,156	1,235,628
Goodwill and intangible assets -net	2,13	7,432,526	229,187	7,790,572	237,807
Other assets -net		58,635,877	1,808,075	54,352,648	1,659,116
Total assets		\$3,686,693,693	\$113,681,582	\$3,746,269,333	\$114,354,986
Liabilities & stockholders' equity					
Liabilities					
Due to the Central Bank and call loans from banks		\$73,637,393	\$2,270,657	\$62,866,360	\$1,918,998
Bankers acceptances and funds borrowed		1,624,200	50,083	1,643,000	50,153
Financial liabilities at fair value through profit or loss	2,14	60,028,741	1,851,025	73,030,548	2,229,260
Securities sold under agreements to repurchase	5,7	14,928,582	460,332	20,712,416	632,247
Payables		30,554,171	942,158	35,033,195	1,069,389
Deposits	15	1,027,834,886	31,693,953	1,090,441,845	33,285,771
Bonds payable	16	18,551,837	572,058	38,865,978	1,186,385
Reserve for operations and liabilities	2,17	1,966,223,591	60,629,775	2,076,810,004	63,394,689
Other financial liabilities	2,18	568,981	17,545	485,475	14,819
Separate account products liabilities		254,052,254	7,833,865	193,454,651	5,905,209
Other liabilities		8,799,279	271,331	7,426,906	226,706
Total liabilities		3,456,803,915	106,592,782	3,600,770,378	109,913,626
Stockholders' Equity attributable to equity holders of the parent					
Stock					
Common stock	19	92,770,192	2,860,629	97,375,372	2,972,386
Capital surplus	20	81,971,213	2,527,635	81,971,213	2,502,174
Retained earnings	21				
Legal reserve		9,245,862	285,102	12,320,672	376,089
Unappropriated retained earnings		35,577,963	1,097,069	7,060,140	215,511
Other stockholders' equity					
Land revaluation increment		2,106	65	2,106	64
Cumulative conversion adjustments		183,766	5,667	344,257	10,509
Unrealized gains or losses on financial instruments		10,955,521	337,821	(52,309,533)	(1,596,750)
Treasury stock	2,22	(4,140,047)	(127,661)	(4,140,047)	(126,375)
Net loss not yet recognized as net pension cost		(3,107)	(96)	(270,687)	(8,263)
Total stockholder's equity attributable to equity holders of the parent		226,563,469	6,986,231	142,353,493	4,345,345
Minority interest		3,326,309	102,569	3,145,462	96,015
Total stockholders' equity		229,889,778	7,088,800	145,498,955	4,441,360
Total liabilities and stockholders' equity		\$3,686,693,693	\$113,681,582	\$3,746,269,333	\$114,354,986

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2007 and 2008 were NT\$32.43 and NT\$32.76 to US\$1.00, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated statements of income
For the years ended December 31, 2007 and 2008
(Expressed in thousands of dollars, except earning per share)

	Notes	2007		2008			
		NT \$	US \$	NT \$	US \$		
Interest income	2	\$112,418,546	\$3,466,498	\$119,559,026	\$3,649,543		
Less: Interest expenses	2	(20,715,646)	(638,780)	(20,983,114)	(640,510)		
Net interest income		91,702,900	2,827,718	98,575,912	3,009,033		
Net income other than interest							
Net commission and handling fee		5,043,537	155,521	8,651,218	264,079		
Net premiums from insurance business		105,088,424	3,240,469	76,782,046	2,343,774		
Losses on financial assets and liabilities at fair value through profit or loss		(5,933,915)	(182,976)	(45,637,878)	(1,393,098)		
Realized gains on available-for-sale financial assets		32,397,367	998,994	14,953,458	456,455		
Realized losses on held-to-maturity financial assets		(372,705)	(11,493)	(2,486,077)	(75,888)		
Gains on investments under equity method		32,864	1,013	338,299	10,327		
Gains on investments in real estate		6,118,267	188,661	5,165,373	157,673		
(Losses) gains on foreign exchange		(1,130,864)	(34,871)	13,584,854	414,678		
Impairment losses		(465,960)	(14,368)	(3,979,734)	(121,482)		
Provision for premiums reserve		(136,192,725)	(4,199,591)	(109,826,456)	(3,352,456)		
Net other non-interest losses		(2,629,922)	(81,095)	(2,420,355)	(73,881)		
Total income		93,657,268	2,887,982	53,700,660	1,639,214		
Bad debt expenses		(4,085,730)	(125,986)	(926,248)	(28,274)		
Operating expenses							
Personnel expenses		(41,045,861)	(1,265,676)	(37,471,088)	(1,143,806)		
Depreciation and amortizations expenses		(4,084,286)	(125,941)	(3,806,201)	(116,184)		
Other general and administration expenses		(10,214,211)	(314,962)	(11,288,262)	(344,574)		
Income from continuing operations before income taxes		34,227,180	1,055,417	208,861	6,376		
Income taxes (expense) benefit	2,24	(3,464,254)	(106,822)	1,764,196	53,852		
Income from continuing operations after income taxes		30,762,926	948,595	1,973,057	60,228		
Consolidated net income		\$30,762,926	\$948,595	\$1,973,057	\$60,228		
Include:							
Parent company		\$30,748,101	\$948,138	\$2,196,229	\$67,040		
Minority interest		14,825	457	(223,172)	(6,812)		
Consolidated net income		\$30,762,926	\$948,595	\$1,973,057	\$60,228		
Earnings per share (expressed in dollars) :	25						
Primary earnings per share:							
		Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Income from continuing operations		\$3.54	\$3.19	\$0.11	\$0.10	\$0.02	\$0.20
Consolidated net income		\$3.54	\$3.19	\$0.11	\$0.10	\$0.02	\$0.20

Depreciation and amortizations expenses

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2007 and 2008 were NT\$32.43 and NT\$32.76 to US\$1.00, respectively)

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English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated statements of changes in stockholders' equity
For the years ended December 31, 2007 and 2008
(Expressed in thousands of dollars)

Summary	Stock				Retained earnings				Other stockholders' equity								Total						
	Common stock		Capital surplus		Legal reserve		Unappropriated retained earnings		Land revaluation increment		Cumulative conversion adjustments		Unrealized gains or losses on financial instruments		Treasury stock		Net loss not yet recognized as net pension cost		Minority interest				
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$			
Balance on January 1, 2007	\$92,068,174	\$2,838,982	\$78,867,213	\$2,431,921	\$8,188,136	\$252,486	\$19,710,210	\$607,777	\$2,106	\$65	\$105,170	\$3,243	\$21,345,473	\$658,202	\$(4,140,047)	\$(127,661)	\$(573)	\$(18)	\$2,879,875	\$88,803	\$219,025,737	\$6,753,800	
Minority interest																			431,609	13,309	431,609	13,309	
Appropriations and distribution for 2006																							
Legal reserve					1,057,726	32,616	(1,057,726)	(32,616)														-	-
Cash dividends							(13,815,539)	(426,011)														(13,815,539)	(426,011)
Remuneration paid to directors and supervisors							(5,700)	(176)														(5,700)	(176)
Bonus paid to employees							(1,383)	(43)														(1,383)	(43)
Convertible notes converted into common stock	702,018	21,647	3,104,004	95,714																		3,806,022	117,361
Capital surplus			(41)	(1)																		(41)	(1)
Cumulative conversion adjustments											78,596	2,424										78,596	2,424
Unrealized gains or losses of financial instruments													(10,389,952)	(320,381)								(10,389,952)	(320,381)
Other capital surplus			37	1																		37	1
Net loss not yet recognized as net pension cost																	(2,534)	(78)				(2,534)	(78)
Consolidated net income for the year ended December 31, 2007							30,748,101	948,138											14,825	457	30,762,926	948,595	
Balance on December 31, 2007	<u>\$92,770,192</u>	<u>\$2,860,629</u>	<u>\$81,971,213</u>	<u>\$2,527,635</u>	<u>\$9,245,862</u>	<u>\$285,102</u>	<u>\$35,577,963</u>	<u>\$1,097,069</u>	<u>\$2,106</u>	<u>\$65</u>	<u>\$183,766</u>	<u>\$5,667</u>	<u>\$10,955,521</u>	<u>\$337,821</u>	<u>\$(4,140,047)</u>	<u>\$(127,661)</u>	<u>\$(3,107)</u>	<u>\$(96)</u>	<u>\$3,326,309</u>	<u>\$102,569</u>	<u>\$229,889,778</u>	<u>\$7,088,800</u>	
Balance on January 1, 2008	\$92,770,192	\$2,831,813	\$81,971,213	\$2,502,174	\$9,245,862	\$282,230	\$35,577,963	\$1,086,018	\$2,106	\$64	\$183,766	\$5,610	\$10,955,521	\$334,418	\$(4,140,047)	\$(126,375)	\$(3,107)	\$(95)	\$3,326,309	\$101,535	\$229,889,778	\$7,017,392	
Minority interest																			42,325	1,292	42,325	1,292	
Appropriations and distribution for 2007																							
Legal reserve					3,074,810	93,859	(3,074,810)	(93,859)														-	-
Cash dividends							(23,025,898)	(702,866)														(23,025,898)	(702,866)
Stock dividend	4,605,180	\$140,573					(4,605,180)	(140,573)														-	-
Remuneration paid to directors and supervisors							(5,400)	(165)														(5,400)	(165)
Bonus paid to employees							(2,764)	(84)														(2,764)	(84)
Cumulative conversion adjustments											160,491	4,899										160,491	4,899
Unrealized gains or losses of financial instruments													(63,265,054)	(1,931,168)								(63,265,054)	(1,931,168)
Net loss not yet recognized as net pension cost																	(267,580)	(8,168)				(267,580)	(8,168)
Consolidated net income (losses) for the year ended December 31, 2008							2,196,229	67,040											(223,172)	(6,812)	1,973,057	60,228	
Balance on December 31, 2008	<u>\$97,375,372</u>	<u>\$2,972,386</u>	<u>\$81,971,213</u>	<u>\$2,502,174</u>	<u>\$12,320,672</u>	<u>\$376,089</u>	<u>\$7,060,140</u>	<u>\$215,511</u>	<u>\$2,106</u>	<u>\$64</u>	<u>\$344,257</u>	<u>\$10,509</u>	<u>\$(52,309,533)</u>	<u>\$(1,596,750)</u>	<u>\$(4,140,047)</u>	<u>\$(126,375)</u>	<u>\$(270,687)</u>	<u>\$(8,263)</u>	<u>\$3,145,462</u>	<u>\$96,015</u>	<u>\$145,498,955</u>	<u>\$4,441,360</u>	

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2007 and 2008 were NTS32.43 and NTS32.76 to US\$1.00, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated statements of cash flows
For the years ended December 31, 2007 and 2008
(Expressed in thousands of dollars)

	2007		2008	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Consolidated net income	\$30,762,926	\$948,595	\$1,973,057	\$60,228
Adjustments:				
Income and other adjustments with no cash flow effects				
Depreciation and amortization expenses	4,084,286	125,941	3,806,201	116,184
Investment income recognized by equity method less than cash dividends received	335,224	10,337	103,996	3,174
Bad debt expenses	4,085,730	125,986	926,248	28,274
Provision for premiums reserve from insurance business	136,192,725	4,199,591	109,826,456	3,352,456
Gain on disposal of property and equipment	(1,282,739)	(39,554)	(416,870)	(12,725)
Impairment loss	465,960	14,368	3,979,734	121,482
Other adjustments	338,276	10,431	1,580,446	48,243
Decrease (increase) on operating assets and liabilities				
Decrease (Increase) in receivables	6,357,714	196,044	(5,559,543)	(169,705)
Increase in deferred income tax assets	(291,400)	(8,986)	(2,122,818)	(64,799)
Decrease in financial assets at fair value through profit or loss	20,338,315	627,145	25,522,951	779,089
Decrease in other financial assets	5,143,021	158,588	1,048,868	32,017
Decrease (increase) in other assets	3,170,118	97,753	(1,945,863)	(59,398)
(Decrease) increase in payables	(15,211,653)	(469,061)	6,370,336	194,455
Decrease in financial liabilities at fair value through profit or loss	(8,053,770)	(248,343)	(4,050,619)	(123,645)
Increase (decrease) in deferred income tax liabilities	220,631	6,803	(160,658)	(4,904)
Increase (decrease) in other financial liabilities	89,104	2,748	(117,631)	(3,591)
Decrease in other liabilities	(9,051,565)	(279,111)	(1,414,860)	(43,189)
Net cash provided by operating activities	177,692,903	5,479,275	139,349,431	4,253,646
Cash flows from investing activities				
Increase from acquiring of CUTIC	9,183,682	283,185	-	-
Increase in restricted assets	(1,550,000)	(47,795)	(83,000)	(2,534)
Increase in loans	(77,223,077)	(2,381,223)	(55,914,700)	(1,706,798)
(Increase) decrease in due from the Central Bank and call loans to banks	(7,388,630)	(227,833)	11,371,024	347,101
Increase in available-for-sale financial assets	(96,734,184)	(2,982,861)	(71,523,989)	(2,183,272)
Increase in held-to-maturity financial assets	(40,828,095)	(1,258,961)	(64,971,901)	(1,983,269)
Decrease in investments under equity method	199,719	6,158	147,761	4,511
Increase investments in real estate	(4,930,813)	(152,045)	(4,302,602)	(131,337)
Acquisition of property and equipment	(2,228,779)	(68,726)	(875,245)	(26,717)
Decrease in securities purchased under agreements to resell	29,561,491	911,548	8,522,044	260,136
(Increase) decrease in other financial assets	(48,983,408)	(1,510,435)	4,236,856	129,330
Increase in other assets	(548,033)	(16,899)	(1,495,580)	(45,653)
Net cash used in investing activities	(241,470,127)	(7,445,887)	(174,889,332)	(5,338,502)
Cash flows from financing activities				
Decrease in due to the Central Bank and call loans from banks	(26,836,238)	(827,513)	(10,874,616)	(331,948)
Increase in deposits	19,828,357	611,420	66,758,905	2,037,817
(Decrease) increase in securities sold under agreements to repurchase	(9,026,316)	(278,332)	3,822,069	116,669
Increase in banker's acceptances and funds borrowed	807,950	24,914	115,696	3,532
(Decrease) increase in bonds payable	(3,932)	(121)	20,314,141	620,090
Increase in other financial liabilities	1,784,277	55,020	41,070	1,254
Decrease in other liabilities	(319,848)	(9,863)	(1,965,548)	(59,999)
Disposal of treasury stock	37	1	-	-
Cash dividends	(13,847,219)	(426,988)	(23,042,728)	(703,380)
Remuneration paid to directors and supervisors	(5,700)	(176)	(5,400)	(165)
Bonus paid to employees	(1,383)	(43)	(2,764)	(84)
Increase in minority stockholders	149,922	4,623	305,900	9,337
Net cash (used in) provided by financing activities	(27,470,093)	(847,058)	55,466,725	1,693,123
Effects of exchange rate changes	113,057	3,486	(527,324)	(16,097)
(Decrease) increase in cash and cash equivalents	(91,134,260)	(2,810,184)	19,399,500	592,170
Cash and cash equivalents at the beginning of period	472,721,562	14,576,675	381,587,302	11,647,964
Cash and cash equivalents at the end of period	\$381,587,302	\$11,766,491	\$400,986,802	\$12,240,134
Supplemental disclosure of cash flows information				
Interest paid during the period (excluding capitalized interest)	\$20,095,277	\$619,651	\$19,960,117	\$609,283
Income tax paid	\$2,311,803	\$71,286	\$2,364,316	\$72,171
Investing and financing activities with no cash flow effects				
Conversion of convertible notes into common stock	\$3,806,022	\$117,361	\$-	\$-
Reclassification of property and equipment to other assets	\$-	\$-	\$150,983	\$4,609

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2007 and 2008 were NT\$32.43 and NT\$32.76 to US\$1.00, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Financial Holding Co., Ltd. and Subsidiaries
Notes to Audited Consolidated Financial Statements
(Expressed in thousands of dollars except
for share and per share data and unless otherwise stated)
December 31, 2007 and 2008**

1. Organization and business scope

On December 31, 2001, Cathay Life Insurance Co., Ltd. (“Cathay Life”) was reincorporated as Cathay Financial Holding Co., Ltd. (the “Company”) through stock conversion pursuant to the provisions of the Republic of China (“ROC”) Financial Holding Company Act (“Financial Holding Company Act”) and its shares were listed on the Taiwan Stock Exchange Corporation (TSE) on the same day. On April 22, 2002, Cathay Century Insurance Co., Ltd. (“Cathay Century”) and Cathay United Bank Co., Ltd. (“Cathay United Bank”) became subsidiaries of the Company through stock conversion approved by the government. On December 18, 2002, United World Chinese Commercial Bank Co., Ltd. (“UWCCB”) also became a subsidiary of the Company through stock conversion approved by the government. UWCCB and Cathay United Bank merged on October 27, 2003, in accordance with the relevant laws and regulations. UWCCB was the surviving company and was re-named to Cathay United Bank Co., Ltd. (“Cathay United Bank”). On May 12, 2004 the Company established Cathay Securities Corporation (“Cathay Securities”) as a wholly owned subsidiary. On June 30, 2005, the Company has invested Lucky Bank, Inc. (“Lucky Bank”) which was approved as a strategic investment by the Financial Supervisory Commission, Executive Yuan. Lucky Bank became a subsidiary of the Company by stock conversion on August 25, 2006. Cathay United Bank absorption merged with Lucky Bank on January 1, 2007. Cathay United Bank acquired specific assets, liabilities, and business of China United Trust & Investment Corporation (“CUTIC”) on December 29, 2007 to improve competitiveness. Since July 29, 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depositary Shares (GDSs). The Company mainly engages in financial holding business activities. As of December 31, 2007 and 2008, the total numbers of the employees of the Company and Subsidiaries were 38,033 and 42,219, respectively.

As of and for the years ended December 31, 2007 and 2008, the consolidated financial statements include the following entities:

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousand of dollars except for share and per share date and unless otherwise stated)

Investor	Investee	Business	2007.12.31 Ownership interest	2008.12.31 Ownership interest	Notes
The Company	Cathay Life	Life insurance	100.00%	100.00%	Cathay Life was incorporated in Taiwan on October 23, 1962 under the provisions of the ROC Company Act (the "Company Act").
The Company	Cathay United Bank	Commercial banking operations	100.00%	100.00%	UWCCB was enfranchised by the ROC government on January 4, 1975. On October 27, 2003, UWCCB was merged with the former Cathay United Bank which was dissolved after the merger; the merged entity was renamed Cathay United Bank. The new Cathay United Bank absorption merged with Lucky Bank on January 1, 2007.
The Company	Cathay Century	Property and casualty insurance	100.00%	100.00%	Cathay Century was incorporated in Taiwan on July 19, 1993, under the provisions of the Company Act. Cathay Century changed its name from "Tong Tai Insurance Co., Ltd." to "Cathay Century Insurance Co., Ltd." on August 2, 2002.

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Investor	Investee	Business	2007.12.31 Ownership interest	2008.12.31 Ownership interest	Notes
The Company	Cathay Securities	Securities	100.00%	100.00%	Cathay Securities was incorporated on May 12, 2004, under the Company Act. The securities department and the securities agent (Taipei branch) of Cathay United Bank were transferred to Cathay Securities using operating assignment along with its business, assets and liabilities. The assignment date was August 13, 2004.
The Company	Cathay Pacific Venture Capital Co., Ltd. (“Cathay Pacific Venture”)	Venture capital investment	100.00%	100.00%	Cathay Pacific Venture was incorporated on April 16, 2003, under the Company Act.
The Company、Cathay Life、Cathay United Bank、Cathay Century	Cathay Venture Capital Co., Ltd. (“Cathay Venture”)	Venture capital investment	67.00%	67.00%	Cathay Venture was incorporated on September 13, 2000, under the Company Act.
The Company	Cathay II Venture Capital Co., Ltd. (“Cathay II Venture”)	Venture capital investment	100.00%	100.00%	Cathay II Venture was incorporated on April 12, 2004, under the Company Act.
Cathay Life	Cathay Life Insurance Company (Shanghai) (“Cathay Life (Shanghai)”)	Life insurance	50.00%	50.00%	Cathay Life (Shanghai) was incorporated on December 29, 2004. Cathay Life and China Eastern Airlines Corporation Limited each owns 50% interest in Cathay Life (Shanghai).

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Investor	Investee	Business	2007.12.31 Ownership interest	2008.12.31 Ownership interest	Notes
Cathay Life 、 Cathay Venture	Symphox Information Co., Ltd. (“Symphox Information”)	Type II telecom service, data processing service, information supply service	99.53%	100.00%	Symphox Information was incorporated on December 12, 1999, under the Company Act. Cathay Life and Cathay Venture own 60.12% and 39.88% interest in Symphox Information, respectively.
Cathay Life	Cathay Life Insurance (Vietnam) Co., Ltd. (“Cathay Life (Vietnam)”)	Life insurance	100.00%	100.00%	Cathay Life (Vietnam) was incorporated on November 21, 2007.
Cathay Life 、 Cathay Century	Cathay Insurance Company Limited. (Shanghai) (“Cathay Century (Shanghai)”)	Property and casualty insurance	-	100.00%	Cathay Century (Shanghai) was incorporated on September 26, 2008. Cathay Life and Cathay Century each owns 50% interest of Cathay Century (Shanghai).
Cathay United Bank	Indovina Bank Limited (“Indovina Bank”)	Wholesale banking	50.00%	50.00%	Indovina Bank was incorporated in Vietnam on October 29, 1992. Cathay United Bank and Vietinbank each owns 50% interest of Indovina Bank.

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Investor	Investee	Business	2007.12.31 Ownership interest	2008.12.31 Ownership interest	Notes
Cathay Securities	Cathay Futures Corp. (“Cathay Futures”)	Futures related business	99.99%	99.99%	Cathay Futures, former Seaward Futures Agency Co., Ltd., was incorporated on December 29, 1993 under the Company Act and renamed to Seaward Futures Corp. on March 6, 1998. On December 24, 2003, Seaward Futures Corp. changed its name to Cathay Futures Corp. On February 10, 2006, Cathay United Bank sold all the stocks of Cathay Futures to Cathay Securities.

As of and for the years ended December 31, 2007 and 2008, the consolidated financial statements excluded the following subsidiaries due to the respective total assets and operating revenues were considered immaterial to the Company.

Investor	Investee	Business	2007.12.31 Ownership interest	2008.12.31 Ownership interest	Notes
The Company	Cathay Capital Management Inc., (“Cathay Capital Management”)	Management consultant	100.00%	100.00%	Cathay Capital Management was incorporated on June 12, 2000.
Cathay life	Cathay Insurance (Bermuda) Co., Ltd. (“Cathay Insurance (Bermuda)”)	Reinsurance	100.00%	100.00%	Cathay Insurance (Bermuda) was incorporated on January 24, 2000.

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Investor	Investee	Business	2007.12.31 Ownership interest	2008.12.31 Ownership interest	Notes
Cathay life	Cathay Securities Investment Consulting Co., Ltd. (“Cathay Securities Investment Consulting”)	Securities investment research analysis	100.00%	100.00%	Cathay Securities Investment Consulting was incorporated on November 25, 2002.
Cathay United Bank	Cathay Life Insurance Agent Co., Ltd. (“Cathay Life Insurance Agent”)	Life insurance agent	100.00%	100.00%	Cathay Life Insurance Agent was incorporated on March 23, 2000.
Cathay United Bank	Cathay Property Insurance Agent Co., Ltd (“Cathay Property Insurance Agent”)	Property insurance agent	100.00%	100.00%	Cathay Property Insurance Agent was incorporated on March 23, 2000.
Cathay United Bank	Seaward Card Co., Ltd. (“Seaward Card”)	Credit card service	100.00%	100.00%	Seaward Card was incorporated on April 9, 1999.
Cathay Capital Management	Cathay Pacific Partners Co., Ltd. (“Cathay Pacific Partners”)	Finance consultant	60.00%	60.00%	Cathay Pacific Partners was incorporated on October 15, 2002; it has been fully liquidated on December 31, 2008.

2. Summary of significant accounting policies

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

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(1) Principles of consolidation

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

(2) Cash and cash equivalents

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

(3) Financial assets and financial liabilities

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

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

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

Financial assets or liabilities at fair value through profit or loss include financial assets or liabilities held for trading or financial assets or liabilities designated as at fair value through profit or loss. Such assets or liabilities are measured at fair value with changes in fair value recognized in profit or loss.

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

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

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

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

B. Held-to-maturity financial assets

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

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C. Investments in debt securities with no active market

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

D. Available-for-sale financial assets

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

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

E. Derivative financial assets or liabilities for hedging

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

F. Financial assets carried at cost

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

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G. Financial liabilities

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

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

(4) Derecognition of financial assets and liabilities

A. Derecognition of financial assets

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

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

B. Derecognition of financial liabilities

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

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

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(5) Accounting for impairment of financial assets

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

A. Financial assets carried at amortized cost

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

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

B. Financial assets carried at cost

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

C. Available-for-sale financial assets

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

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(6) Derivative financial instruments

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

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

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

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

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

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

A. Fair value hedges

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

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

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

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

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

B. Cash flow hedges

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

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

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

C. Hedges of a net investment in a foreign operation

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

(7) Allowance for bad debts

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

(8) Investments-equity method

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

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

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

(9) Investments in real estate

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

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

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

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

(10) Property and equipment

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

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

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

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

(11) Intangible assets

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

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

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

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

(12) Accounting for Assets Impairment

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

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

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

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

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

(13) Real Estate Investment Trust (REIT) and financial assets securitization

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

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

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

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Under the Regulations for Financial Assets Securitization, Subsidiaries, 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. Due to Subsidiaries having surrendered the rights and control on these securitized financial assets, such financial assets are no longer recognized on the Subsidiaries' accounts. The gain or loss from securitization is recognized thereon, except for the retained interests in the form of subordinated seller certificates for credit enhancement, which are classified as held-to-maturity financial assets and investments in debt securities with no active market due to lack of market quotes.

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. Due to securitized financial assets not having 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) Reserves for operations and liabilities

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

(15) Treasury stock

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

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

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

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

(16) Recognition of interest income and service fees

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

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(17) Insurance premium income and expenses

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

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

(18) Pension plan

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

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

(19) Foreign currency transactions

A. Translation of foreign currency transactions

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

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B. Translation of foreign subsidiaries' financial statements

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

(20) Income taxes

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

In accordance with Article 49 of the Financial Holding Company Act, the Company and its qualifying Subsidiaries have selected the consolidated income tax return for tax filings and pay a 10% surcharge on their undistributed retained earnings under the consolidated income tax return. If there are any tax effects due to the adoption of the consolidated tax system, the Company can proportionately allocate the effects on tax expense (benefit), deferred income tax and tax payable (tax refund receivable) among the Company and Subsidiaries.

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

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

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

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(21) Capital expenditure

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

(22) Employee bonus and remuneration of directors

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

(23) Translation to U.S. dollars

The financial statements are stated in NT dollars. The translated U.S. dollars amounts from NT dollars as of December 31, 2007 and 2008 are for information only. The U.S. dollar/NT dollars noon buying rates of NT\$32.43 and NT\$32.76 provided by Federal Reserve Bank of New York of December 31, 2007 and 2008 are used for the translation.

3. Change in accounting and its effects

(1) The Company and Subsidiaries adopted the accounting principles prescribed in Article No.52 “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 is not significant to the Company and Subsidiaries’ net income before tax and earnings per share for the year ended December 31, 2008.

(2) Effective from July 1, 2008, the Company and Subsidiaries adopted the revised R.O.C. SFAS No. 34 “Accounting for financial instrument”. This change in accounting principles did not affect the Company and Subsidiaries’ net loss and earnings per share for the year ended December 31, 2008.

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4. Cash and cash equivalents

	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Petty cash and cash on hand	\$9,744,103	\$300,466	\$12,130,768	\$370,292
Cash in banks	11,079,599	341,647	29,205,740	891,506
Time deposits	350,389,873	10,804,498	347,371,107	10,603,514
Cash equivalents	343,501	10,592	241,252	7,364
Checks for clearance	3,298,851	101,722	5,356,535	163,508
Due from commercial banks	6,731,375	207,566	6,681,400	203,950
Total	<u>\$381,587,302</u>	<u>\$11,766,491</u>	<u>\$400,986,802</u>	<u>\$12,240,134</u>

As of December 31, 2007 and 2008, the amounts of time deposits with maturities beyond one year were NT\$1,095,823 (US\$33,790) thousands and NT\$2,383,970 (US\$72,771) thousands, respectively.

5. Financial assets at fair value through profit or loss

	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Common stock	\$18,234,182	\$562,263	\$5,837,566	\$178,192
Beneficiary certificates	12,786,345	394,275	42,701,925	1,303,478
Exchange traded funds	261,234	8,055	154,004	4,701
Real estate investment trust	519,283	16,013	633,251	19,330
Commercial papers	9,687,729	298,727	249,084	7,603
Corporate bonds	3,882,122	119,708	4,522,879	138,061
Government bonds	20,543,726	633,479	18,582,274	567,224
Treasury bills	491,324	15,150	20,909,996	638,278
CDs Issued by CBC	-	-	1,712	52
Financial debentures	319,034	9,838	-	-
Overseas financial instruments	55,596,773	1,714,362	20,038,327	611,671
Derivative financial instruments	189,446	5,842	1,490	46
Structured time deposits	2,000,000	61,671	1,000,000	30,525
Valuation adjustment	10,734,045	330,991	12,180,571	371,812
Total	<u>\$135,245,243</u>	<u>\$4,170,374</u>	<u>\$126,813,079</u>	<u>\$3,870,973</u>

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(1) As of December 31, 2007 and 2008, certain financial assets at fair value through profit or loss were sold under repurchase agreements with notional amounts of NT\$6,522,500 (US\$201,126) thousands and NT\$13,861,900 (US\$423,135) thousands, respectively. Such repurchase agreements amounting to NT\$6,503,534 (US\$200,541) thousands and NT\$15,156,243 (US\$462,645) thousands, respectively, were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to December 31, 2007 and 2008 are settled at NT\$6,507,082 (US\$200,650) thousands and NT\$15,181,203 (US\$463,407) thousands prior to February 29, 2007 and June 30, 2008, respectively.

(2) Please refer to Note 26 for related information on the above financial assets at fair value through profit or loss as of December 31, 2007 and 2008 being pledged as collaterals.

6. Loans-net

	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Inward-outward documentary bills	\$786,031	\$24,238	\$378,537	\$11,555
Loans	1,308,390,342	40,345,062	1,366,252,872	41,704,910
Overdrafts	527,941	16,279	292,455	8,927
Delinquent accounts	8,592,110	264,943	6,700,982	204,548
Subtotal	1,318,296,424	40,650,522	1,373,624,846	41,929,940
Less: Allowance for bad debts	(11,539,720)	(355,835)	(10,720,200)	(327,234)
Total	<u>\$1,306,756,704</u>	<u>\$40,294,687</u>	<u>\$1,362,904,646</u>	<u>\$41,602,706</u>

7. Available-for-sale financial assets-net

	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Common stock	\$117,843,468	\$3,633,780	\$117,386,919	\$3,583,239
Beneficiary certificates	1,023,084	31,547	1,691,356	51,629
Collateralized loans obligation and collateralized bonds obligation	7,339,215	226,310	4,404,148	134,437
Exchange traded funds	3,717,938	114,645	4,175,789	127,466
Government bonds	77,516,512	2,390,272	148,425,459	4,530,692
Corporate bonds	49,226,808	1,517,940	47,582,377	1,452,454
Financial debentures	114,349,948	3,526,055	133,532,244	4,076,076
Overseas financial instruments	79,622,401	2,455,208	74,941,478	2,287,591
Real estate investment trust beneficiary	9,365,232	288,783	8,725,208	266,337
Accumulated impairments	-	-	(528,541)	(16,134)
Valuation adjustment	13,114,804	404,403	(56,918,002)	(1,737,424)
Total	<u>\$473,119,410</u>	<u>\$14,588,943</u>	<u>\$483,418,435</u>	<u>\$14,756,363</u>

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- (1) As of December 31, 2007 and 2008, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT\$7,364,000 (US\$227,074) thousands and NT\$5,050,800 (US\$154,176) thousands. Such repurchase agreements amounting to NT\$8,131,889 (US\$250,752) thousands and NT\$5,575,869 (US\$170,204) thousands were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to December 31, 2007 and 2008 are settled at NT\$8,159,958 (US\$251,618) thousands and NT\$5,583,908 (US\$170,449) thousands prior to June 30, 2008 and 2009, respectively.
- (2) Please refer to Note 26 for related information on the above available-for-sale financial assets as of December 31, 2007 and 2008 being pledged as collaterals.

8. Held-to-maturity financial assets-net

	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Government bonds	\$20,269,163	\$625,013	\$19,838,850	\$605,581
Corporate bonds	5,387,991	166,142	3,919,523	119,644
Financial debentures	12,330,169	380,208	10,779,762	329,053
Overseas financial instruments	523,923,252	16,155,512	602,112,733	18,379,510
Collateralized loans obligation and collateralized bonds obligation	22,705,050	700,125	16,401,473	500,655
Short-term notes	2,947,944	90,902	-	-
Subtotal	587,563,569	18,117,902	653,052,341	19,934,443
Less: Accumulated impairment	(2,008)	(62)	-	-
Total	<u>\$587,561,561</u>	<u>\$18,117,840</u>	<u>\$653,052,341</u>	<u>\$19,934,443</u>

Please refer to Note 26 for related information on the above held-to-maturity financial assets as of December 31, 2007 and 2008 being pledged as collaterals.

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9. Investments under equity method

Investee	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Consulting	\$167,337	\$5,160	\$165,344	\$5,047
Cathay Capital Management	68,117	2,100	60,314	1,841
Seaward Card	37,704	1,163	38,422	1,173
Cathay Property Insurance Agent	7,587	234	7,624	233
Cathay Life Insurance Agent	42,901	1,323	44,831	1,369
Cathay Insurance (Bermuda)	88,345	2,724	94,904	2,897
WK Technology Fund VI Co., Ltd	424,375	13,086	300,311	9,167
Vista Technology Venture Capital Corp.	55,372	1,707	44,791	1,367
Omnitek Venture Capital Corp.	227,846	7,026	86,458	2,639
Wa Tech Venture Capital Co., Ltd.	176,115	5,431	89,506	2,732
Taiwan Real-estate Management Corp.	42,596	1,313	47,283	1,443
Taiwan Finance Corp.	1,271,370	39,204	1,399,410	42,717
IBT Venture Capital Corp.	420,234	12,958	249,589	7,619
Cathay Securities Investment Trust Co., Ltd.	408,289	12,590	402,985	12,301
Subtotal	3,438,188	106,019	3,031,772	92,545
Less: Unrealized gain from intercompany transactions	(415,680)	(12,818)	(415,680)	(12,689)
Total	\$3,022,508	\$93,201	\$2,616,092	\$79,856

10. Other financial assets-net

Item	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Derivative financial assets for hedging	\$306,522	\$9,452	\$5,299,695	\$161,773
Financial assets carried at cost	26,954,205	831,150	26,552,612	810,519
Structured time deposits	19,195,936	591,919	5,600,000	170,940
Customer's margin accounts	1,165,984	35,954	463,871	14,160
Bills purchased	10,701	330	3,552	109
Other miscellaneous financial assets	307,497	9,482	383,499	11,706
Accumulated impairment	(1,860,750)	(57,377)	(1,882,287)	(57,457)
Total	\$46,080,095	\$1,420,910	\$36,420,942	\$1,111,750

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11. Investments in real estate

December 31, 2007										
Item	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Investments in										
real estate	\$120,306,005	\$3,709,713	\$4,470	\$138	\$(15,411,620)	\$(475,227)	\$(195,923)	\$(6,042)	\$104,702,932	\$3,228,582
Construction	1,681,938	51,864	-	-	-	-	-	-	1,681,938	51,864
Total	<u>\$121,987,943</u>	<u>\$3,761,577</u>	<u>\$4,470</u>	<u>\$138</u>	<u>\$(15,411,620)</u>	<u>\$(475,227)</u>	<u>\$(195,923)</u>	<u>\$(6,042)</u>	<u>\$106,384,870</u>	<u>\$3,280,446</u>
December 31, 2008										
Item	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Investments in										
real estate	\$123,994,653	\$3,784,941	\$4,384	\$134	\$(17,021,605)	\$(519,585)	\$(195,923)	\$(5,981)	\$106,781,509	\$3,259,509
Construction	1,836,501	56,059	-	-	-	-	-	-	1,836,501	56,059
Prepayments										
for building										
and land	874,767	26,702	-	-	-	-	-	-	874,767	26,702
Lease	153,970	4,700	-	-	(3,131)	(95)	-	-	150,839	4,605
Total	<u>\$126,859,891</u>	<u>\$3,872,402</u>	<u>\$4,384</u>	<u>\$134</u>	<u>\$(17,024,736)</u>	<u>\$(519,680)</u>	<u>\$(195,923)</u>	<u>\$(5,981)</u>	<u>\$109,643,616</u>	<u>\$3,346,875</u>

- (1) The real estate investments are held mainly to generate rental revenue.
- (2) Rents from real estate investment can be paid annually, semiannually, quarterly, monthly or in a lump sum.
- (3) No investments in real estate were pledged as collaterals as of December 31, 2007 and 2008.
- (4) Cathay Life had established a real estate asset trust by transferring several floors of Cathay Dun Nan Commercial Building to the trust in 2007. The accounting treatment of the transactions was in compliance with (93) Article 141 and (95) Article 023 of Accounting Research and Development Foundation, “Accounting Treatment of Real Estate Securitization” and “Interpretation of the Accounting Treatment of Real Estate Securitization”, respectively. As a result, the gain on disposal of real estates on this transaction was NT\$1,193,535 (US\$36,803) thousands for the year ended December 31, 2007.

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12. Financial assets securitization

During 2007, Cathay United Bank securitized a collateralized loans obligation (CLO) with a carrying value of NT\$5,446,335 (US\$166,250) thousands with Land Bank Co., Ltd. as the 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 of dollars)	Interest rate
Senior tranche 1 st	NT\$3,335,000(US\$101,801)	2.175%
Senior tranche 2 nd	NT\$315,000(US\$9,615)	2.325%
Senior tranche 3 rd	NT\$340,000(US\$10,379)	2.545%
Senior tranche 4 th	NT\$480,000(US\$14,652)	2.945%
Subordinated tranche 5 th	NT\$200,000(US\$6,105)	3.00%
Subordinated tranche 6 th	NT\$200,000(US\$6,105)	3.20%
Subordinated tranche 7 th	NT\$576,335(US\$17,593)	-

Cathay United Bank holds the subordinated beneficiary certificates amounting to NT\$976,335 (US\$29,803) thousands 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 Cathay United 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 the end of the year 2007 and 2008, respectively, were as follows:

	Corporate Loans Securitization	
	December 31, 2007	December 31, 2008
Expected weighted-average life (in years)	1.523	0.747
Prepayment rate (annual rate)	3.00%	3.00%
Expected credit losses rate (annual rate)	3.71%	3.71%
Discounting rate for residual cash flows (annual rate)	2.49%	2.49%

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(2) Sensitivity analysis :

As of December 31, 2007 and 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:

	December 31, 2007		December 31, 2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Carrying amount of retained interests	\$976,335	\$30,106	\$976,335	\$29,803
Expected weighted-average life (in years)	1.523	1.523	0.747	0.747
Expected prepayment rate (annual rate)	3%	3%	3%	3%
Impact on fair value with 10% adverse change	(1,957)	(60)	(3,769)	(115)
Impact on fair value with 20% adverse change	(2,024)	(62)	(4,782)	(146)
Expected credit losses (annual rate)	3.71%	3.71%	3.71%	3.71%
Impact on fair value with 10% adverse change	(16,559)	(511)	(6,103)	(186)
Impact on fair value with 20% adverse change	(18,644)	(575)	(8,306)	(254)
Discounting rate for residual cash flows (annual rate)	2.49%	2.49%	2.49%	2.49%
Impact on fair value with 10% adverse change	(6,433)	(198)	(3,756)	(115)
Impact on fair value with 20% adverse change	(12,821)	(395)	(7,497)	(229)

(3) Expected static pool credit losses:

As the securitized collateralized loans obligation does 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~December 31,			
	2007		2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The cash received from securitization	\$4,470,000	\$137,835	\$-	\$-
Servicing fees received	140	4	240	7
Other cash received on retained interests	20,912	645	29,087	888
Repayment of cash reserve	5,959	184	7,322	224

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13. Goodwill and intangible assets-net

Item	January 1, 2007		Increase		Decrease		December 31, 2007	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$-	\$-	\$6,537,374	\$201,584	\$-	\$-	\$6,537,374	\$201,584
Computer								
software	1,578,831	48,684	522,192	16,102	(7,690)	(237)	2,093,333	64,549
Land use right	16,132	498	3,498	108	-	-	19,630	606
Subtotal	1,594,963	49,182	7,063,064	217,794	(7,690)	(237)	8,650,337	266,739
Amortization and impairment								
Amortized	(697,995)	(21,523)	(380,365)	(11,729)	7,690	237	(1,070,670)	(33,015)
Impairment	-	-	(147,141)	(4,537)	-	-	(147,141)	(4,537)
Subtotal	(697,995)	(21,523)	(527,506)	(16,266)	7,690	237	(1,217,811)	(37,552)
Book value	\$896,968	\$27,659	\$6,535,558	\$201,528	\$-	\$-	\$7,432,526	\$229,187

Item	January 1, 2008		Increase		Decrease		December 31, 2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$6,537,374	\$1999,554	\$141,998	\$4,334	\$(6,288)	\$(192)	\$6,673,084	\$203,696
			(Notes)	(Notes)	(Notes)	(Notes)		
Computer								
software	2,093,333	63,899	641,924	19,595	(167,882)	(5,125)	2,567,375	78,369
Land use right	19,630	599	-	-	-	-	19,630	599
Subtotal	8,650,337	264,052	783,922	23,929	(174,170)	(5,317)	9,260,089	282,664
Amortization and impairment								
Amortized	(1,070,670)	(32,682)	(418,525)	(12,776)	19,678	601	(1,469,517)	(44,857)
Impairment	(147,141)	(4,492)	(1,063)	(32)	148,204	4,524	-	-
Subtotal	(1,217,811)	(37,174)	(419,588)	(12,808)	167,882	5,125	(1,469,517)	(44,857)
Book value	\$7,432,526	\$226,878	\$364,334	\$11,121	\$(6,288)	\$(192)	\$7,790,572	\$237,807

Note: These are adjustment to the fair value during the purchase price allocation period.

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

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14. Financial liabilities at fair value through profit or loss

	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Derivative financial instruments	\$128,024	\$3,948	\$119,544	\$3,649
Financial debentures	38,680,000	1,192,723	27,000,000	824,176
Subordinated financial debentures	5,000,000	154,178	5,000,000	152,625
Valuation adjustment	16,220,717	500,176	40,911,004	1,248,810
Total	<u>\$60,028,741</u>	<u>\$1,851,025</u>	<u>\$73,030,548</u>	<u>\$2,229,260</u>

- (1) On May 23, 2002, Cathay United Bank issued a five-year subordinated financial debenture totaling NT\$5,000,000 (US\$152,625) thousands which has matured. Subsequently on September 10, 2002, the Bank issued five-year and six-month subordinated financial debentures totaling NT\$5,000,000 (US\$152,625) thousands which has matured in 2007. On September 19, 2008 and October 27, 2008, Cathay United Bank issued seven-year subordinated financial debentures totaling NT\$2,200,000 (US\$67,155) thousands and NT\$2,800,000 (US\$85,470) thousands, with fixed interest rates. These subordinated financial debentures are repaid at maturity, and the interest is paid quarterly.
- (2) 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.
- (3) On June 20, 2003, Cathay United Bank issued five-year and six-month dominant financial debentures amounting to NT\$5,000,000 (US\$152,625) thousands with inverse floating interest rate. On December 4, 2003, December 10, 2003 and December 11, 2003, Cathay United Bank issued five-year dominant financial debentures amounting to NT\$3,200,000 (US\$97,680) thousands, NT\$2,700,000 (US\$82,418) thousands and NT\$1,800,000 (US\$54,945) thousands, respectively, with floating interest rates, inverse floating interest rates or specific structure rates. Subsequently on March 29, 2004, Cathay United Bank issued six-year dominant financial debentures amounting to NT\$2,000,000 (US\$61,050) thousands with a floating interest rate. These dominant financial debentures are repayable at maturity, and the interest is payable quarterly or semi-annually.

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- (4) On July 8 and July 15, 2004, Cathay United Bank issued five-year to seven-year dominant financial debentures amounting to NT\$1,000,000 (US\$30,525) thousands, NT\$3,500,000 (US\$106,838) thousands, NT\$2,000,000 (US\$61,050) thousands, and NT\$1,000,000 (US\$30,525) thousands, 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 semi-annually. On November 10, November 25, November 26, December 9, December 10, December 22, December 23, December 29, 2004, January 14 and February 22, 2005, Cathay United Bank issued five-year to seven-year dominant financial debentures amounting to NT\$2,500,000 (US\$76,313) thousands, NT\$1,500,000 (US\$45,788) thousands, NT\$1,500,000 (US\$45,788) thousands, NT\$2,500,000 (US\$76,313) thousands, NT\$1,500,000 (US\$45,788) thousands, NT\$2,500,000 (US\$76,313) thousands, NT\$1,000,000 (US\$30,525) thousands and NT\$1,000,000 (US\$30,525) thousands, NT\$2,000,000 (US\$61,050) thousands, NT\$1,500,000 (US\$45,788) thousands, respectively, with fixed interest rates. These dominant financial debentures are repayable at maturity and the interest is payable quarterly.
- (5) These dominant financial debentures are senior in priority to the subordinated financial debentures and common shares, but are equal to other debts of Cathay United Bank.

15. Deposits

	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Check deposits	\$12,1315,485	\$379,756	\$9,930,270	\$303,122
Demand deposits	113,802,630	3,509,178	113,614,802	3,468,095
Savings deposits	361,810,569	11,156,663	335,084,134	10,228,453
Time deposits	504,083,001	15,543,725	627,373,216	19,150,587
Outward remittances	35,102,110	1,082,396	1,106,439	33,774
Remittances payable	721,091	22,235	3,332,984	101,740
Total	<u>\$1,027,834,886</u>	<u>\$31,693,953</u>	<u>\$1,090,441,845</u>	<u>\$33,285,771</u>

16. Bonds payable

	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Subordinated bond payable-net	\$-	\$-	\$20,000,000	\$610,501
Subordinated financial debentures	18,592,000	573,296	16,430,000	501,526
Discount in financial debentures	(96,246)	(2,968)	(87,268)	(2,664)
Valuation adjustment	56,083	1,730	2,523,246	77,022
Total	<u>\$18,551,837</u>	<u>\$572,058</u>	<u>\$38,865,978</u>	<u>\$1,186,385</u>

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- (1) On April 28, 2003, Cathay United Bank issued a five-year subordinated financial debentures totaling NT\$2,350,000 (US\$71,734) thousands with a stated interest rate of 2%. The subordinated financial debentures are repayable at maturity, and the interest is payable annually.
- (2) Cathay United 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 semi-annually. Cathay United Bank can redeem the bond after 10 years by exercising the call option. Cathay United Bank has adopted hedge accounting to account for its subordinated financial debentures.
- (3) On December 8, 2008, the Company issued a seven-year subordinated bond totaling NT\$20,000,000 (US\$610,501) thousands with a stated interest rate of 3.1%. The subordinated bonds and repayable at maturity and the interest is payable annually.
- (4) Each subordinated financial debenture and subordinated bond has a lower priority claim on assets and income than other debts. That is, its principal and interest are repayable only after more senior debt with higher priority has been satisfied. These subordinated financial debentures are, however, more senior to common stock.

17. Reserve for operations and liabilities

	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Reserve for insurance business	\$1,965,895,991	\$60,619,673	\$2,076,474,966	\$63,384,462
Reserves for losses on guarantees	28,649	883	24,892	760
Reserves for losses on stock brokerage transactions	29,928	923	40,408	1,233
Reserves for losses on trading securities	269,023	8,296	269,738	8,234
Total	<u>\$1,966,223,591</u>	<u>\$60,629,775</u>	<u>\$2,076,810,004</u>	<u>\$63,394,689</u>

Reserves for operations included the following reserves:

Unearned premium reserve, Special reserve, and Claims reserve are provided in accordance with the “Regulations on Calculation of Various Insurance Reserves” by Article 0910751651, 0920751929 and 09602505761 of Ministry of Finance:

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(1) Unearned premium reserve

Effective from December 24, 2002, Cathay Century Insurance unearned premium reserves should be provided based on assumed risks of different insurance products. The calculation of the reserve requires the involvement of actuaries as well as disclosures on the insurance product calculation statement which can not be changed unless approved by authorities. The unearned premium reserve should be reversed and then accrued at the next year end.

The unearned premium on motor vehicles compulsory insurance is provided based on the assumed premium in accordance with the article of Ministry of Finance.

(2) Special reserve

A. Catastrophe reserve :

- a. Addition: Catastrophe reserve should be accrued based on respective reserve rates of various insurance product categories.
- b. Reduction: The amount of assumed claims of catastrophe in excess of NT\$30 million should be deducted from the catastrophe reserve. In addition, the deducted amount is required to be reported to authorities.
- c. Recovery: Amount in the catastrophe reserve over 15 years should be reversed and then accrued for subject to approvals from relevant authorities.

B. Contingency reserve: reserve provided for unusual fluctuations of claims or loss ratios.

- a. Addition: Prior to January 1, 2008, thirty percent of the amount that the actual claims paid for each insurance product categories in excess of the respective contingency reserve and expected loss should be provided as the contingency reserve. After January 1, 2008, fifteen percent instead should be provided for based on the method mentioned above.
- b. Reduction: The amount of actual claims paid for each insurance product categories in excess of the respective catastrophe reserve and expected loss should be deducted from the catastrophe reserve. If the deduction amount is greater than the catastrophe reserve of the insurance product category, catastrophe reserve for other insurance product categories can be used for the deduction. In addition, the deducted amount is required to be reported to authorities.

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- c. Recovery: Once the accumulated contingency reserve of each insurance product category exceeds 60% of its retained earned premium for the year, the excess amount should be recorded as income. When the accumulated accidental insurance contingency reserve exceeds 30% of the retained earned premium for the year, the excess amount should be recorded as income. However, authorities can assign or limit the use of the amount based on the development need of the insurance industry.
- C. The special reserve for the compulsory liability insurance of motor vehicle is in compliance with the “Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance”.
- D. The special reserve of the nuclear hazard insurance is in compliance with the “Accrual of Nuclear Hazard Insurance Reserve”.
- E. The residential earthquake insurance product is in compliance of “Regulations for Method of insurance and Contingency allocation on Residential Earthquake”.

(3) Claims reserve:

Effective from December 24, 2002, the accruals of claim reserves are in accordance with “Insurance Industry Provision of Reserve for Indemnity” issued by the Ministry of Finance. The accruals include retained IBNR and outstanding claims. Effective from January 1, 2006, the accruals on reserves have changed from the fixed rates to a method subject to authorities’ approval based on the past experience and expenses. Cathay Century Insurance has reported to the authorities for the accrual method which has been approved by Insurance Bureau of FSC (Article 09500204880). The method is as follows:

- A. Reserve for outstanding claims is estimated based on historical information and circumstances surrounding each claim for each type of insurance.
- B. Reserve for IBNR is determined by the past experience and loss on each insurance product category.
- C. The unearned premium reserve should be reversed and then accrued at the next year end.

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- D. The reserve for the compulsory liability insurance of motor vehicle is in compliance with the “Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance”. The reserve on retained outstanding claims is based on related information. The reserve on IBNR is based on 1% of the retained net earned premium.
- E. The special reserve of the nuclear hazard insurance is in compliance with the “Accrual of Nuclear Hazard Insurance Reserve”.

(4) Premiums deficiency reserve :

Effective from January 1, 2008, future benefit payments and expenses shall be estimated for unexpired insurance contracts or insurance risks. Premium deficiency reserve by category shall be recorded for the difference between the above estimated amount and the sum of unearned premium reserve and estimated future premium income.

18. Other financial liabilities

	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Derivative financial liabilities for hedging	\$101,430	\$3,128	\$122,368	\$3,735
Borrowed funds	308,730	9,520	261,319	7,977
Other miscellaneous financial liabilities	158,821	4,897	101,788	3,107
Total	<u>\$568,981</u>	<u>\$17,545</u>	<u>\$485,475</u>	<u>\$14,819</u>

19. Common stock

- (1) As of December 31, 2007 and 2008, the authorized share capital amounted NT\$120,000,000 (US\$3,663,004) thousands, and the issued share capital amounted NT\$92,770,192 (US\$2,860,629) thousands and NT\$97,375,372 (US\$2,972,386) thousands, respectively.
- (2) The recapitalization of undistributed earnings of NT\$4,605,180 (US\$140,573) thousand by issuing 460,518 thousand shares with par value of NT\$10 (US\$0.31) was approved by the Securities and Futures Bureau on July 10, 2008. The recapitalization record date was August 5, 2008.
- (3) On December 31, 2001, the Company listed its shares on Taiwan Stock Exchange Corporation (TSE) in accordance with relevant regulations. Since July 29, 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depositary Shares (GDSs).

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20. Capital surplus

- (1) The capital surplus of the Company consists of consolidation premium from share exchange, accumulated adjustments on paid-in capital from investment under equity method, and paid-in capital from treasury stocks. Capital surplus were NT\$81,971,213 (US\$2,527,635) thousands and NT\$81,971,213 (US\$2,502,174) thousands as of December 31, 2007 and 2008, respectively. Retained earnings from certain subsidiaries of the Company before the stock exchange of formation of the financial holding company amounted to NT\$267,215 (US\$8,157) thousands were included in the capital surplus as of both December 31, 2007 and 2008.
- (2) The capital surplus of par value through the conversion of shares was generated from the transfer of the shares of the subsidiaries to the Company. In compliance with Item 4 of Article 47 of the Financial Holding Company Act, the portion of capital surplus from the share exchange which comes from the original financial institution's undistributed earnings is allowed to be distributed as cash dividends or to be capitalized.
- (3) In addition, pursuant to the Company Act, capital surplus can only be used to offset a deficit or to increase share capital. Capital surplus cannot be distributed as cash dividends. Issuance of new stock from capital surplus can be made only once per year. Furthermore, the amount to be capitalized should not exceed the specific percentage of capital surplus set by the SFC.

21. Retained earnings

(1) Legal reserve

Pursuant to the Company Act, 10% of the Company's after-tax net income in the current year must be appropriated to legal reserve until the total amount of the legal reserve equals the issued share capital. This legal reserve can be used to offset deficits but cannot be used for the purpose of cash dividend distributions. However, if the total legal reserve is greater than 50% of the issued share capital, up to 50% of such excess can be capitalized if agreed by its shareholders.

(2) Undistributed earnings

A. According to the Company Act and the Company's articles of incorporation, 10% of the Company's annual earnings, after paying tax and offsetting deductions, if any, shall be appropriated as legal reserve and then 0.01%~0.05% of the remaining amount for employees' bonus. Finally, the remainder after deducting for the abovementioned items must be appropriated in accordance with the resolutions passed at the shareholders' meeting.

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- B. On June 13, 2008, the shareholders' meeting resolved the distribution of earnings of NT\$3.0 (US\$0.10) per share for the year ended December 31, 2007. The cash and stock dividends with record dates are NT\$2.5 (US\$0.08) and NT\$0.5 (US\$0.02) on July 8 and August 5, 2008, respectively.
- C. On June 15, 2007, the shareholders' meeting resolved the appropriation of earnings for the year ended December 31, 2006. The Company declared cash dividends of NT\$1.5 (US\$0.05) per common share and such dividends with record date on July 5, 2007.
- D. The Company is required to pay 10% surtax in the forthcoming tax year for undistributed earnings.
- E. In accordance with SFC regulations, in addition to the legal reserve retained, the Company is required to provide a special reserve in the amount equal to current year's contra account in shareholders' equity from current year's earnings after tax or prior year's undistributed earnings. However, contra accounts in prior year's accumulated shareholders' equity should only be provided from prior year's undistributed earnings. If a reversal of shareholders equity contra account occurs, the reversed portion of the special reserve could be distributed as dividends.
- F. In accordance with SFC regulations, posterior to 2002 subsidiaries of financial holding companies that hold shares of their parent company should treat those shares as treasury stock. The costs of these shares are exempted from distributing as special reserve.
- G. Pursuant to the explanatory letter of SFB on January 27, 2006, the Company is required to appropriate a special reserve in the amount equal to unrealized loss of financial instruments, cumulative conversion adjustments, and net loss not yet recognized as net pension cost expect for the special reserve since 2007.

H. Dividends policy

The Company's dividends policy is to distribute dividends in stock in order to retain sufficient cash for operations. Excess cash from retained earnings after taking into account operating needs may be distributed in cash; moreover cash dividends must be a minimum of 10% of the total dividends declared.

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- I. The accrual of employee bonus and remuneration of directors is based on the average of actual distribution in the past three years and the net income after tax for the year of 2008 and was recognized as operating costs or expenses. The difference between actual distribution and estimated amount will be recognized in 2009 fiscal year.
- J. Due to the date of CPA expressing an opinion, the Company's distribution of 2008 retained earning has not been approved by the board of directors and the shareholders. For related information please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.
- K. Accounting to the regulations issued by SFC, the Company should assume the dividends for year 2007 would be appropriated to the employees, directors and supervisors, and pro-forma earnings per share for the previous year.

	For the year 2007	
	(NT\$)	(US\$)
a. Distribution		
Bonus paid to employees-Cash	\$2,764	\$85
Remuneration paid to directors and supervisors	5,400	167
b. Earnings per share after income taxes (expressed in dollars)	3.34	0.10
Pro-forma earnings per share (expressed in dollars)	3.34	0.10

$$\text{Pro forma earnings per share} = \frac{\text{Net income} - \text{Bonus paid to employees} - \text{Bonus paid to employees(Stock)} - \text{Remuneration paid to directors and supervisors}}{\text{Weighted average outstanding number of shares}}$$

22. Treasury stock

The following is a summary of the movement of treasury stock as of December 31, 2007 and 2008:

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December 31, 2007										
Reason for acquisition	In thousands of shares			Book value		Book value per share		Market value per share		
	January 1, 2007	Increase	Decrease	December 31, 2007	(NT\$)	(US\$)	(in NT dollars)	(in US dollars)	(in NT dollars)	(in US dollars)
Shares acquired through share exchange from merger transaction	66,660	-	-	66,660	\$4,140,047	\$127,661	\$62.11	\$1.92	\$67.60	\$2.08
December 31, 2008										
Reason for acquisition	In thousands of shares			Book value		Book value per share		Market value per share		
	January 1, 2008	Increase	Decrease	December 31, 2008	(NT\$)	(US\$)	(in NT dollars)	(in US dollars)	(in NT dollars)	(in US dollars)
Shares acquired through share exchange from merger transaction	66,660	-	-	66,660	\$4,140,047	\$126,375	\$62.11	\$1.90	\$36.50	\$1.11

23. Operating Expense

For the years ended December 31, 2007 and 2008, personnel expense, depreciation and amortizations are summarized below:

	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Personnel expenses				
Salary and wages	\$36,396,597	\$1,122,313	\$32,064,747	\$978,777
Labor & health insurance expenses	2,002,284	61,742	2,187,631	66,777
Pension expenses	948,499	29,247	1,365,520	41,683
Other expenses	1,698,481	52,374	1,853,190	56,569
Depreciation	3,709,785	114,393	3,386,518	103,373
Amortization	374,501	11,548	419,683	12,811

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24. Estimated income taxes

(1) Income tax expenses include the following:

	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Adjusted income tax calculates on accounting income	\$834,406	\$25,729	\$(643,483)	\$(19,642)
Plus (Less): Tax of interest income on a separate basis	407,728	12,572	172,696	5,272
Extra 10% income tax on undistributed retained earning	-	-	15,799	482
Alternative minimum tax payable	2,314,163	71,359	-	-
Withholding tax for overseas investments	146,274	4,510	73,079	2,231
Tax effects under consolidated income tax	(521,929)	(16,094)	420,203	12,827
Deferred income tax benefits	(925,496)	(28,538)	(1,357,405)	(41,435)
Adjustment of income tax	276,584	8,529	(327,828)	(10,007)
Income tax credit	(8,616)	(266)	50,071	1,528
Operating loss carry-forward	941,140	29,021	5,617	171
Other	-	-	(172,945)	(5,279)
Total income tax expenses (benefits)	<u>\$3,464,254</u>	<u>\$106,822</u>	<u>\$(1,764,196)</u>	<u>\$(53,852)</u>

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

	December 31,			
	2007		2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Total deferred tax assets	<u>\$9,187,658</u>	<u>\$283,308</u>	<u>\$15,864,121</u>	<u>\$484,253</u>
Total deferred tax liabilities	<u>\$910,557</u>	<u>\$28,078</u>	<u>\$4,968,867</u>	<u>\$151,675</u>
Allowance for deferred assets	<u>\$142,153</u>	<u>\$4,383</u>	<u>\$410,740</u>	<u>\$12,538</u>

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	December 31,			
	2007		2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Temporary differences:				
Pension expense	\$1,551,816	\$47,851	\$1,423,997	\$43,468
Unrealized exchange (gains) losses	1,597,242	49,252	(13,081,719)	(399,320)
Losses from valuation on financial assets and liabilities	4,935,291	152,183	25,471,882	777,530
Allowance for bad debts	5,495,779	169,466	3,075,422	93,877
Operating loss carry-forward	8,601,412	265,230	4,370,764	133,418
Other difference	729,311	22,489	1,514,735	46,237
Total	\$22,910,851	\$706,471	\$22,775,081	\$695,210
Tax effect under consolidated income tax system	\$9,855,919	\$303,914	\$20,177,965	\$615,933
Deferred income tax assets of foreign branches	\$205,864	\$6,348	\$411,628	\$12,565
Investment tax credit	\$105,768	\$3,261	\$216,343	\$6,604

	December 31,			
	2007		2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Deferred tax assets	\$9,187,658	\$283,308	\$15,864,121	\$484,253
Allowance for deferred tax assets	(142,153)	(4,383)	(410,740)	(12,538)
Net deferred tax assets	9,045,505	278,924	15,453,381	471,715
Deferred tax liabilities	(910,557)	(28,078)	(4,968,867)	(151,675)
Net offset balance of deferred tax assets	\$8,134,948	\$250,846	\$10,484,514	\$320,040

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

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(3) Income tax returns:

		December 31, 2008	
		Income tax returns examined by tax authorities	Notes
The Company	through 2003		The Company filed applications for re-examination of 2002 and 2003 tax returns.
Cathay Life	through 2003		Cathay Life filed applications for re-examination of 2002 and 2003 tax returns.
Cathay United Bank	through 2003		-
Cathay Century	through 2003		The withholding tax on the interest of prior bondholders and tax effects on the interest expenses of amortized premium bonds in year 1999, 2001 and 2002 tax returns, respectively, were rejected by the Tax Authority as being able to offset income tax payable. Cathay Century has filed the dispute. Cathay Century also filed an application for re-examination of 2003 tax return.
Cathay Securities	through 2004		-
Cathay Pacific Venture	through 2003		-
Symphox Information	through 2006		-
Cathay Futures	through 2006		-
Cathay Venture	through 2006		-
Cathay II Venture	through 2004		-

(4) Information related to imputation credit account:

A. Balance of imputation credit account

	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
The Company	\$429,659	\$13,249	\$632,721	\$19,314
Cathay Life	1,160,741	35,792	963,145	29,400
Cathay United Bank	666,632	20,556	119,597	3,651
Cathay Century	11,141	344	6,631	202
Cathay Securities	7,427	229	6,529	199
Cathay Pacific Venture	111	3	1,004	31
Cathay Venture	1,027	32	15,404	470
Cathay II Venture	9,007	278	11,448	349
Cathay Futures	13,918	429	15,468	472

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B. Imputation ratio

	For the year ended December 31,	
	2007	2008
	Actual	Estimated
The Company-cash dividends	12.98%	8.96%
The Company-stock dividends	12.99%	8.96%
Cathay Life	5.62%	-
Cathay United Bank	9.78%	-
Cathay Century	1.61%	1.39%
Cathay Securities	15.18%	-
Cathay Pacific Venture	0.99%	-
Cathay Venture	32.56%	19.75%
Cathay II Venture	5.45%	6.13%
Cathay Futures	33.33%	33.33%

(4) Information relating of undistributed retained earnings:

Year	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Prior to 1997	\$267,215	\$8,240	\$267,215	\$8,157
After 1998	35,577,963	1,097,069	7,060,140	215,511
Total	\$35,845,178	\$1,105,309	\$7,327,355	\$223,668

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

25. Earnings per share

	For the year ended December 31, 2007								
	Amount (Numerator)				Shares	EPS (in dollars)			
	Before income taxes		After income taxes		(in thousands of shares)	Before income taxes		After income taxes	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)	(NT\$)	(US\$)
					(denominator)				
Primary earnings per share:									
Consolidated income	\$34,227,180	\$1,055,417	\$30,762,926	\$948,595	9,657,596	\$3.54	\$0.11	\$3.19	\$0.10

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	For the year ended December 31, 2008								
	Amount (Numerator)				Shares	EPS (in dollars)			
	Before income taxes		After income taxes		(in thousands of shares) (denominator)	Before income taxes		After income taxes	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)	(NT\$)	(US\$)
Primary earnings per share:									
Consolidated income	\$208,861	\$6,376	\$1,973,057	\$60,228	9,670,877	\$0.02	\$-	\$0.20	\$0.01

26. Related party transactions

(1) Related parties

Name	Relationship
Cathay Life	Subsidiary of the Company
Cathay United Bank	"
Cathay Century	"
Cathay Securities	"
Cathay Pacific Venture	"
Cathay II Venture	"
Cathay Capital Management	"
Cathay Venture	"
Cathay Life (Shanghai)	Subsidiary of Cathay Life
Cathay Life (Vietnam)	"
Symphox Information	"
Cathay Insurance (Bermuda)	"
Cathay Securities Investment Consulting	"
Cathay Century (Shanghai)	Subsidiary of Cathay Century
Indovina Bank	Subsidiary of Cathay United Bank
Cathay Life Insurance Agent	"
Seaward Card	"
Cathay Property Insurance Agent	"
Cathay Futures	Subsidiary of Cathay Securities
Cathay Pacific Partners	Subsidiary of Cathay Capital Management (liquidated on 12.31.2007)
Cathay Securities Investment Trust Co., Ltd.	Investee accounted for under the equity method
Taiwan Real-estate Management Corp.	"
Cathay General Hospital	The chairman is also the Company's chairman

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Name	Relationship
Lin Yuan Investment Co., Ltd.	The chairman is a second immediate family member of the Company's chairman
Wan Pao Development Co., Ltd.	"
Taiwan Asset Management Corporation	The representative of Cathay United Bank is the chairman of the corporation
Cathay Bond Fund etc.	The fund is managed by Cathay Securities Trust Co., Ltd.
Vietinbank	Joint venture partner of Indovina Bank
Lin Yuan Property Management Co., Ltd.	Related Party disclosed according to Accounting Standard No. 6
Seaward Leasing Ltd.	"
Cathay Real Estate Development Co., Ltd.	"
San Ching Engineering Co., Ltd.	"
Cathay Lin Yuan Security Co., Ltd.	"
Cathay Century Realty Co., Ltd.	"
Culture and Charity Foundation of the CUB	"
Other related parties	Includes chairmen, managers, their spouses and linear relatives of Subsidiaries

(2) Significant transactions with related parties:

Transactions with related parties less than NT\$3,000 (US\$92) thousands will no longer be disclosed after the first quarter of 2008.

A. Call loans to banks

Name	For the year ended December 31,							
	2007				2008			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Vietinbank	\$11,451	\$353	\$38	\$1	\$6,988	\$213	\$14,451	\$441

B. Financial assets at fair value through profit or loss

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$7,675,605	\$236,682	\$6,158,248	\$187,981

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share date and unless otherwise stated)

C. Receivables

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Insurance (Bermuda)	\$12,658	\$390	\$9,341	\$285
Cathay Capital Management	14,756	455	14,212	434
Cathay Real Estate Development Co., Ltd.	679	21	-	-
Cathay Securities Investment Trust Co., Ltd.	677	21	-	-
Seaward Leasing Ltd.	417	13	-	-
Lin Yuan Property Management Co., Ltd.	5,213	161	-	-
Total	<u>\$34,400</u>	<u>\$1,061</u>	<u>\$23,553</u>	<u>\$719</u>

D. Loans

Name	For the year ended December 31, 2007			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Revenue (NT\$)	Interest Revenue (US\$)
Seaward Leasing Ltd.	\$2,964,820	\$91,422	\$47,578	\$1,467
Taiwan Real-estate Management Corp.	114,000	3,515	3,479	107
Cathay General Hospital	4,654,423	143,522	158,305	4,882
Other related parties	589,498	18,178	14,270	440
Total	<u>\$8,322,741</u>	<u>\$256,637</u>	<u>\$223,632</u>	<u>\$6,896</u>

Name	For the year ended December 31, 2008			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Revenue (NT\$)	Interest Revenue (US\$)
Seaward Leasing Ltd.	\$3,203,630	\$97,791	\$67,895	\$2,073
Taiwan Real-estate Management Corp.	109,000	3,327	3,197	98
Cathay General Hospital	4,544,249	138,713	170,269	5,197
Other related parties	500,209	15,269	13,503	412
Total	<u>\$8,357,088</u>	<u>\$255,100</u>	<u>\$254,864</u>	<u>\$7,780</u>

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E. Available-for-sale financial assets

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$690,832	\$21,302	\$603,717	\$18,428

F. Deposit

Name	For the year ended December 31, 2007			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Expense (NT\$)	Interest Expense (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$783,962	\$24,174	\$10,800	\$333
Cathay Real Estate Development Co., Ltd.	88,236	2,721	234	7
Other related parties	2,650,598	81,733	41,599	1,283
Total	\$3,522,796	\$108,628	\$52,633	\$1,623

Name	For the year ended December 31, 2008			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Expense (NT\$)	Interest Expense (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$524,269	\$16,003	\$14,291	\$436
Cathay Real Estate Development Co., Ltd.	151,414	4,622	150	5
Other related parties	10,976,687	335,064	224,260	6,845
Total	\$11,652,370	\$355,689	\$238,701	\$7,286

G. Property transactions

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

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Name	Item	For the year ended December 31, 2007	
		(NT\$)	(US\$)
San Ching Engineering Co., Ltd.	Cathay Land Mark etc.	\$37,486	\$1,156
Lin Yuan Property Management Co., Ltd.	International Building etc.	288,975	8,911
	Total	<u>\$326,461</u>	<u>\$10,067</u>

Name	Item	For the year ended December 31, 2008	
		(NT\$)	(US\$)
San Ching Engineering Co., Ltd.	Cathay Land Mark etc.	\$15,258	\$466
Lin Yuan Property Management Co., Ltd.	International Building etc.	214,481	6,547
	Total	<u>\$229,739</u>	<u>\$7,013</u>

The total amounts of contracted construction projects for real estate as of December 31, 2007 and 2008 between Cathay Life and San Ching Engineering Co., Ltd. were NT\$183,396 (US\$5,655) thousands and NT\$33,850 (US\$1,033) thousands, respectively.

b. Real estate rental income from Cathay Life and Cathay United Bank:

Name	Rental income			
	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Consulting	\$3,679	\$113	\$7,367	\$225
Cathay Capital Management	2,180	67	-	-
Cathay Real Estate Development Co., Ltd.	16,927	522	19,522	596
Cathay General Hospital	159,997	4,934	172,621	5,269
San Ching Engineering Co., Ltd.	7,907	244	8,478	259
Cathay Securities Investment Trust Co., Ltd.	13,331	411	19,510	595
Taiwan Asset Management Corporation	12,289	379	-	-
Culture and Charity Foundation of CUB	1,000	31	-	-
Seaward Leasing Ltd.	1,438	44	-	-
Total	<u>\$218,748</u>	<u>\$6,745</u>	<u>\$227,498</u>	<u>\$6,944</u>

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Name	Guarantee deposits in			
	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Consulting	\$1,055	\$32	\$-	\$-
Cathay Capital Management	638	20	-	-
Cathay Real Estate Development Co., Ltd.	3,945	122	4,886	149
Cathay General Hospital	9,114	281	11,079	338
San Ching Engineering Co., Ltd.	1,782	55	-	-
Cathay Securities Investment Trust Co., Ltd.	2,738	84	4,872	149
Taiwan Asset Management Corporation	3,477	107	-	-
Seaward Leasing Ltd.	346	11	-	-
Total	<u>\$23,095</u>	<u>\$712</u>	<u>\$20,837</u>	<u>\$636</u>

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

c. Real estate rental expense from Cathay Life and Cathay United Bank

Name	Rental expenses			
	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Real Estate Development Co., Ltd.	\$42,000	\$1,295	\$41,682	\$1,272
Lin Yuan Investment Co., Ltd.	2,094	65	-	-
Seaward Leasing Ltd.	16,664	514	14,907	455
Total	<u>\$60,758</u>	<u>\$1,874</u>	<u>\$56,589</u>	<u>\$1,727</u>

Name	Guarantee deposits paid			
	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Real Estate Development Co., Ltd.	\$11,561	\$357	\$8,779	\$268
Lin Yuan Investment Co., Ltd.	628	19	-	-
Seaward Leasing Ltd.	33,393	1,030	11,590	354
Total	<u>\$45,582</u>	<u>\$1,406</u>	<u>\$20,369</u>	<u>\$622</u>

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According to the contracts, periods of leases generally were 3 years and rents were paid monthly.

H. Other assets

Prepayment

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Lin Yuan Investment Co., Ltd.	\$419	\$13	\$-	\$-

I. Call loans from banks

Name	For the year end December 31, 2007			
	Ending balance	Interest expense	Ending balance	Interest expense
	(NT\$)	(NT\$)	(US\$)	(US\$)
Vietinbank	\$474	\$1,255	\$15	\$39

Name	For the year end December 31, 2008			
	Ending balance	Interest expense	Ending balance	Interest expense
	(NT\$)	(NT\$)	(US\$)	(US\$)
Vietinbank	\$704	\$91,188	\$21	\$2,784

J. Securities sold under agreements to repurchase

Name	December 31,			
	Ending balance			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Wan Pao Development Co., Ltd.	\$712,128	\$21,959	\$-	\$-
Cathay Securities Investment Trust Co., Ltd.	-	-	146,129	4,461
Lin Yuan Investment Co., Ltd.	-	-	99,623	3,041
Other related parties	1,210,188	37,317	878,248	26,808
Total	\$1,922,316	\$59,276	\$1,124,000	\$34,310

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Name	For the year ended December 31,			
	Interest expenses			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Wan Pao Development Co., Ltd.	\$30,790	\$949	\$6,144	\$187
Cathay Securities Investment Trust Co., Ltd.	-	-	1,381	42
Lin Yuan Investment Co., Ltd.	-	-	2,707	83
Other related parties	18,939	584	13,169	402
Total	<u>\$49,729</u>	<u>\$1,533</u>	<u>\$23,401</u>	<u>\$714</u>

K. Payables

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Seaward Card	\$-	\$-	\$24,945	\$761
Lin Yuan Property Management Co., Ltd.	4,912	151	-	-
Cathay Real Estate Development Co., Ltd.	1,732	53	-	-
San Ching Engineering Co., Ltd.	7,237	223	10,288	314
Cathay Pacific Partners	2,231	69	-	-
Seaward Leasing Ltd.	1,258	39	-	-
Other	89	3	-	-
Total	<u>\$17,459</u>	<u>\$538</u>	<u>\$35,233</u>	<u>\$1,075</u>

L. Advance receipts

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Taiwan Asset Management Corporation	<u>\$5,635</u>	<u>\$174</u>	<u>\$-</u>	<u>\$-</u>

M. Net commission and handling fees

a. Handling fees income

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$20,345	\$627	\$29,708	\$907
Cathay Securities Investment Consulting	3,045	94	6,514	199
Total	<u>\$23,390</u>	<u>\$721</u>	<u>\$36,222</u>	<u>\$1,106</u>

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b. Reinsurance handling fee income

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Insurance (Bermuda)	\$3	\$-	\$8,793	\$268

c. Reinsurance handling fee paid

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Insurance (Bermuda)	\$7,156	\$221	\$10,215	\$312

d. Commissions expense

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life Insurance Agent	\$23,721	\$731	\$24,287	\$741
Cathay Property Insurance Agent	840	26	-	-
Total	\$24,561	\$757	\$24,287	\$741

e. Reinsurance commissions expense

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Insurance (Bermuda)	\$12,580	\$388	\$6,238	\$190

f. Reinsurance commissions income

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Insurance (Bermuda)	\$-	\$-	\$7,748	\$237

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N. Net premiums from insurance business

a. Insurance income

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay General Hospital	\$32,331	\$997	\$37,706	\$1,151
Cathay Real Estate Development Co., Ltd.	3,525	109	-	-
San Ching Engineering Co., Ltd.	1,396	43	-	-
Cathay Securities Investment Trust Co., Ltd.	1,115	34	-	-
Seaward Leasing Ltd.	10,958	338	9,759	298
Cathay Securities Investment	347	11	-	-
Lin Yuan Property Management Co., Ltd.	4,012	124	-	-
Cathay Lin Yuan Security Co., Ltd.	338	10	-	-
Other related parties	308,968	9,527	-	-
Total	<u>\$362,990</u>	<u>\$11,193</u>	<u>\$47,465</u>	<u>\$1,449</u>

b. Reinsurance income

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Insurance (Bermuda)	<u>\$137,010</u>	<u>\$4,225</u>	<u>\$140,639</u>	<u>\$4,293</u>

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

c. Reinsurance claims payment

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Insurance (Bermuda)	<u>\$28,824</u>	<u>\$889</u>	<u>\$104,739</u>	<u>\$3,197</u>

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O. Net other non-interest income

a. Sales

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay General Hospital	\$3,088	\$95	\$-	\$-
Cathay Securities Investment Trust Co., Ltd.	3,707	114	-	-
Other related parties	3,040	94	-	-
Total	<u>\$9,835</u>	<u>\$303</u>	<u>\$-</u>	<u>\$-</u>

b. Service Income

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay General Hospital	\$3,618	\$111	\$4,155	\$127
Lin Yuan Property Management Co., Ltd.	4,592	142	4,849	148
Cathay Securities Investment Consulting	-	-	3,002	91
Other related parties	2,427	75	-	-
Total	<u>\$10,637</u>	<u>\$328</u>	<u>\$12,006</u>	<u>\$366</u>

c. Miscellaneous income

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$4,541	\$140	\$40,394	\$1,233
Cathay General Hospital	4,735	146	5,430	166
Cathay Pacific Partner	-	-	10,702	326
Other related parties	3,530	109	-	-
Total	<u>\$12,806</u>	<u>\$395</u>	<u>\$56,526</u>	<u>\$1,725</u>

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P. Operating expense

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Consulting	\$52,587	\$1,622	\$30,135	\$920
Seaward Card	301,792	9,306	324,139	9,894
Cathay Pacific Management	77,585	2,392	81,656	2,493
Cathay Pacific Partners	14,981	462	6,460	197
Lin Yuan Property Management Co., Ltd.	608,381	18,760	600,782	18,339
Cathay Real Estate Development Co., Ltd.	14,618	451	20,589	629
San Ching Engineering Co., Ltd.	6,110	188	7,408	226
Cathay General Hospital	208,540	6,430	12,013	367
Cathay Lin Yuan Security Co., Ltd.	4,043	125	-	-
Seaward Leasing Ltd.	11,026	340	14,952	456
Total	<u>\$1,299,663</u>	<u>\$40,076</u>	<u>\$1,098,134</u>	<u>\$33,521</u>

R. Others Disclosures

- a. Cathay United Bank entered into a contract with San Ching Engineering Co., Ltd. to build the Nei-hu Financial Building and North Taiyuan Branch totaling NT\$ 1,411,880 (US\$43,098) thousands, in 2006. Cathay United Bank had paid the amount of NT\$471,272 (US\$14,532) thousands and NT\$620,074 (US\$18,928) thousands during the years ended December 31, 2007 and 2008. As of December 31, 2007 and 2008, the accumulated paid amount was NT\$561,823 (US\$17,324) thousands and NT\$1,181,897 (US\$36,077) thousands, respectively.
- b. Cathay United Bank has paid decoration and fix fee to San Ching Engineering Co., Ltd. in the amount of NT\$5,067 (US\$156) thousands and NT\$5,419 (US\$165) thousands during the years ended December 31, 2007 and 2008, respectively.
- c. Cathay United Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management Co., Ltd. in the amount of NT\$22,513 (US\$694) thousands (capitalized) and NT\$22,028 (US\$672) thousands (expensed) during the years ended December 31, 2007 and 2008, respectively.
- d. Cathay Century Realty Co., Ltd. acted as a broker for Cathay United Bank to dispose of real estate, the service fees of NT\$10,500 (US\$321) thousands and NT\$7,148 (US\$218) thousands were included in disposal of foreclosed properties premises and equipment, respectively, for the year ended December 31, 2008.

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f. Cathay United Bank paid the amount of NT\$45,546 (US\$1,390) thousands to certain managers according to the intercession content regarding a dispute involving dissolving the construction contract on Shih-Hua Hills and repossessing the land during the year ended December 31, 2007.

S. Information about key management personnel compensation:

	For the year ended December 31,			
	2007		2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Remunerations including wages, awards, bonus and etc.	\$154,427	\$4,762	\$164,992	\$5,036

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

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

A. Cash in bank

		For the year ended December 31, 2007		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$3,520,792	4.375%~5.70%	\$179,027
	Cash in bank	1,557	0.02%~2.35%	46
	Total	\$3,522,349		\$179,073

		For the year ended December 31, 2007		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$108,566	4.375%~5.70%	\$5,520
	Cash in bank	48	0.02%~2.35%	2
	Total	\$108,614		\$5,522

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		For the year ended December 31, 2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$-	2.38%~4.57%	\$26,701
	Cash in bank	3,040	0.00%~1.70%	1,292
	Total	<u>\$3,040</u>		<u>\$27,993</u>

		For the year ended December 31, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$-	2.38%~4.57%	\$815
	Cash in bank	93	0.00%~1.70%	39
	Total	<u>\$93</u>		<u>\$854</u>

B. Receivables

		December 31,			
Name	Item	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay United Bank	Interest · Receivables due to consolidated income tax	\$21,900	\$675	\$1,083,576	\$33,076
Cathay Life	Receivables due to consolidated income tax · Interest	960,038	29,604	10,041	306
Cathay Century	Receivables due to consolidated income tax	251,961	7,769	212,281	6,480
Cathay Capital Management	Receivables due to consolidated income tax	14,756	455	14,212	434
Cathay Securities	Receivables due to consolidated income tax	10,961	338	-	-
Cathay II Venture	Receivables due to consolidated income tax	9,457	292	8,123	248
Total		<u>\$1,269,073</u>	<u>\$39,133</u>	<u>\$1,328,233</u>	<u>\$40,544</u>

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C. Guarantee deposits paid

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	\$4,864	\$150	\$5,940	\$181

D. Payables

Name	Item	December 31,			
		2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	Payables due to consolidated income tax	\$541,486	\$16,697	\$3,232,375	\$98,668
Cathay United Bank	Payables due to consolidated income tax	1,096,026	33,796	2,865,348	87,465
Cathay Pacific Venture	Payables due to consolidated income tax	3,527	109	2,670	81
Cathay Century	Payables due to consolidated income tax	-	-	18,145	554
Cathay Securities	Payables due to consolidated income tax	-	-	14,268	436
Total		\$1,641,039	\$50,602	\$6,132,806	\$187,204

E. Interest income

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	\$-	\$-	\$10,041	\$307

F. Operating expenses

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	\$19,521	\$602	\$22,326	\$681
Lin Yuan Property Management Co., Ltd.	235	7	4,381	134
Symphox Information	1,301	40	-	-
Seaward Leasing Ltd.	929	29	-	-
Cathay General Hospital	89	3	-	-
Cathay Century	124	4	-	-
Total	\$22,199	\$685	\$26,707	\$815

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

A. Cathay Life

a. Cash in banks

		For the year ended December 31,2007		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$4,722,950	1.15%~2.49%	\$55,965
Bank	Cash in bank	3,576,961	0.10%~2.35%	3,475
Total		<u>\$8,299,911</u>		<u>\$59,440</u>

		For the year ended December 31,2007		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$145,635	1.15%~2.49%	\$1,726
Bank	Cash in bank	110,298	0.10%~2.35%	107
Total		<u>\$255,933</u>		<u>\$1,833</u>

		For the year ended December 31,2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$6,432,052	1.24%~4.50%	\$79,855
Bank	Cash in bank	2,719,316	0.02%~1.85%	3,224
Total		<u>\$9,151,368</u>		<u>\$83,079</u>

		For the year ended December 31,2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$196,339	1.24%~4.50%	\$2,438
Bank	Cash in bank	83,007	0.02%~1.85%	98
Total		<u>\$279,346</u>		<u>\$2,536</u>

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b. Other receivables

Name	December 31,			
	2007		2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Financial Holding	\$541,486	\$16,697	\$3,232,375	\$98,668
Cathy Century	77,960	2,404	153,614	4,689
Total	<u>\$619,446</u>	<u>\$19,101</u>	<u>\$3,385,989</u>	<u>\$103,357</u>

c. Other financial assets

Name	For the year ended December 31,2007		
	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	<u>\$4,300,000</u>	1.80%~3.32%	<u>\$90,679</u>

Name	For the year ended December 31,2007		
	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	<u>\$132,593</u>	1.80%~3.32%	<u>\$2,796</u>

Name	For the year ended December 31,2008		
	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	<u>\$500,000</u>	1.80%~4.06%	<u>\$75,609</u>

Name	For the year ended December 31,2008		
	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	<u>\$15,263</u>	1.80%~4.06%	<u>\$2,308</u>

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d. Secured loans

For the year ended December 31,2007				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,449,654	\$4,396,278	3.44%~3.73%	\$150,934
Other related parties	303,248	246,646	2.10%~5.87%	6,268
Total	<u>\$4,752,902</u>	<u>\$4,642,924</u>		<u>\$157,202</u>

For the year ended December 31,2007				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$137,208	\$135,562	3.44%~3.73%	\$4,654
Other related parties	9,351	7,606	2.10%~5.87%	193
Total	<u>\$146,559</u>	<u>\$143,168</u>		<u>\$4,847</u>

For the year ended December 31,2008				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,388,030	\$4,286,249	3.57%~3.91%	\$163,347
Other related parties	340,552	289,709	2.20%~5.67%	8,177
Total	<u>\$4,728,582</u>	<u>\$4,575,958</u>		<u>\$171,524</u>

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Name	For the year ended December 31, 2008			
	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$133,945	\$130,838	3.57%~3.91%	\$4,986
Other related parties	10,395	8,843	2.20%~5.67%	250
Total	<u>\$144,340</u>	<u>\$139,681</u>		<u>\$5,236</u>

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

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$7,455,267</u>	<u>\$229,888</u>	<u>\$5,267,637</u>	<u>\$160,795</u>

f. Property transactions

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

Name	Item	For the year ended December 31, 2007	
		(NT\$)	(US\$)
Lin Yuan Property Management	International Building etc.	<u>\$288,975</u>	<u>\$8,911</u>

Name	Item	For the year ended December 31, 2008	
		(NT\$)	(US\$)
Lin Yuan Property Management	International Building etc.	<u>\$214,481</u>	<u>\$6,547</u>

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g. Other overdue receivable

Name	December 31,			
	2007		2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Life (Shanghai)	\$-	\$-	\$265,211	\$8,096

h. Other assets-other

Name	December 31,			
	2007		2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Life (Shanghai)	\$298,343	\$9,200	\$-	\$-

i. Repurchase bonds

Name	For the year ended December 31, 2008		
	Ending balance	Rate	Interest income
	(NT\$)		(NT\$)
Cathay United Bank	\$431,473	0.30%~1.94%	\$13,210

Name	For the year ended December 31, 2008		
	Ending balance	Rate	Interest income
	(US\$)		(US\$)
Cathay United Bank	\$13,171	0.30%~1.94%	\$403

j. Guarantee deposits paid

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Futures	\$560,751	\$17,291	\$731,062	\$22,316

As of December 31, 2007 and 2008, the imputed interest income from guarantee deposits paid to Cathay Futures were NT\$261 (US\$8) thousands and NT\$658 (US\$20) thousands, respectively.

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k. Other payables

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Financial Holding	\$960,038	\$29,603	\$-	\$-

l. Rental income

Name	For the year ended December 31,			
	2007 (NT\$)	2007 (US\$)	2008 (NT\$)	2008 (US\$)
Cathay United Bank	\$274,584	\$8,467	\$299,636	\$9,146
Cathay General Hospital	159,997	4,934	172,621	5,269
Total	\$434,581	\$13,401	\$472,257	\$14,415

m. Insurance income

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008 (US\$)
Cathay United Bank	\$459,751	\$14,177	\$555,658	\$16,961
Other related parties	308,968	9,527	398,492	12,164
Total	\$768,719	\$23,704	\$954,150	\$29,125

n. Reinsurance income

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008 (US\$)
Cathay Insurance (Bermuda)	\$137,010	\$4,225	\$140,639	\$4,293

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

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o. Miscellaneous income

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Century	\$759,006	\$23,404	\$890,063	\$27,169
Cathay United Bank	106,119	3,272	127,741	3,899
Total	<u>\$865,125</u>	<u>\$26,676</u>	<u>\$1,017,804</u>	<u>\$31,068</u>

p. Insurance expense

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Century	<u>\$130,679</u>	<u>\$4,030</u>	<u>\$49,272</u>	<u>\$1,504</u>

The insurance expenses were related to insurance for fixed assets, cash, public accident and etc. Amounts of NT\$10,185 (US\$314) thousands and NT\$9,877 (US\$301) thousands paid by Cathay Life on behalf of its employees for fidelity bond insurance were included in above insurance expenses for the years ended December 31, 2007 and 2008.

q. Reinsurance claims payment

Name	For the years ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Insurance (Bermuda)	<u>\$28,824</u>	<u>\$889</u>	<u>\$104,739</u>	<u>\$3,197</u>

r. Operating expense

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay United Bank	\$661,862	\$20,409	\$1,117,006	\$34,097
Symphox Information	238,290	7,348	252,004	7,692
Lin Yuan Property Management Co., Ltd.	605,814	18,680	596,636	18,212
Cathay General Hospital	208,451	6,428	3,659	112
Total	<u>\$1,714,417</u>	<u>\$52,865</u>	<u>\$1,969,305</u>	<u>\$60,113</u>

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s. Other Disclosures

As of December 31, 2007 and 2008, the notional amounts of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	December 31,	
	2007	2008
Forward foreign exchange contracts	USD160,362	USD768,858
CS contracts	USD1,315,000	USD1,100,000
Financial debentures	NTD200,000 (USD6,167)	NTD- (USD-)

Cathay Life had entered a credit assignment agreement with Cathay United Bank in the amounts of NT\$1,030,000 (US\$31,761) thousands during the year ended December 31, 2007 and NT\$4,448,000 (US\$135,775) thousands during the year ended December 31, 2008.

B. Cathay United Bank

a. Loans and deposits

Account/Name	For the year ended December 31,							
	2007				2008			
	Ending Balance		Interest revenue		Ending Balance		Interest revenue	
(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Loans								
Seaward								
Leasing Ltd.	\$2,964,820	\$91,422	\$47,578	\$1,467	\$3,203,630	\$97,791	\$67,895	\$2,072
Taiwan								
Real-estate								
Management								
Corp.	114,000	3,515	3,479	107	109,000	3,327	3,197	98
Cathay General								
Hospital	258,145	7,960	7,371	227	258,000	7,875	6,922	211
Other related								
parties	317,693	9,797	7,503	232	188,100	5,742	5,326	163
Total	<u>\$3,654,658</u>	<u>\$112,694</u>	<u>\$65,931</u>	<u>\$2,033</u>	<u>\$3,758,730</u>	<u>\$114,735</u>	<u>\$83,340</u>	<u>\$2,544</u>

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Account/Name	For the year ended December 31,							
	2007				2008			
	Ending Balance		Interest expense		Ending Balance		Interest expense	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Deposits								
Cathay Life	\$8,299,911	\$255,933	\$59,440	\$1,833	\$9,151,368	\$279,346	\$83,079	\$2,536
Cathay								
Financial								
Holding	3,805,511	117,345	179,073	5,522	3,040	93	27,993	854
Cathay Futures	1,218,323	37,568	16,919	521	1,669,012	50,946	28,758	878
Cathay								
Securities	303,698	9,365	11,619	358	157,636	4,812	3,933	120
Cathay Century	909,379	28,041	10,273	317	1,479,562	45,164	12,307	376
Cathay								
Securities								
Investment								
Trust Co.,								
Ltd.	783,962	24,174	10,800	333	524,269	16,003	14,291	436
Cathay Real								
Estate								
Development								
Co., Ltd.	88,236	2,721	234	7	151,414	4,622	150	5
Other related								
parties	2,650,598	81,733	41,599	1,283	10,976,687	335,064	224,260	6,845
Total	\$18,059,618	\$556,880	\$329,957	\$10,174	\$24,112,988	\$736,050	\$394,771	\$12,050

Account/Name	For the year ended December 31, 2007							
	Maximum amount		Ending balance		Rate	Interest revenue (expense)		
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)	
Call loans to banks								
Indovina Bank	\$329,502	\$10,160	\$-	\$-	5.00%~7.70%	\$2,551	\$79	
Due from commercial								
Indovina Bank	\$323,566	\$9,977	\$3,685	\$114	0.50%~2.16%	\$160	\$5	
Call loans from banks								
Indovina Bank	\$429,819	\$13,254	\$422,292	\$13,022	2.40%~8.70%	\$(1,423)	\$(44)	

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Account/Name	For the year ended December 31, 2008						
	Maximum amount		Ending balance		Rate	Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	<u>\$3,483,572</u>	<u>\$106,336</u>	<u>\$722,920</u>	<u>\$22,067</u>	2.56%~26.00%	<u>\$48,840</u>	<u>\$1,491</u>
Due from commercial							
Indovina Bank	<u>\$402,066</u>	<u>\$12,273</u>	<u>\$37,216</u>	<u>\$1,136</u>	0.50%~2.40%	<u>\$159</u>	<u>\$5</u>
Call loans from banks							
Indovina Bank	<u>\$1,100,614</u>	<u>\$33,596</u>	<u>\$230,020</u>	<u>\$7,021</u>	2.30%~18.00%	<u>\$(5,269)</u>	<u>\$(161)</u>

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

b. Securities sold under agreements to repurchase

Name	December 31,			
	Ending balance			
	2007 (NT\$)	2007 (US\$)	2008 (NT\$)	2008 (US\$)
Cathay Life	\$-	\$-	\$431,473	\$13,171
Wan Pao Development Co., Ltd.	712,128	21,959	-	-
Cathay Securities Investment Trust Co., Ltd.	-	-	146,129	4,461
Other related parties	1,210,188	37,317	878,248	26,808
Total	<u>\$1,922,316</u>	<u>\$59,276</u>	<u>\$1,455,850</u>	<u>\$44,440</u>

Name	For the year ended December 31,			
	Interest expense			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	\$-	\$-	\$13,210	\$403
Wan Pao Development Co., Ltd.	30,790	949	6,144	188
Cathay Securities Investment Trust Co., Ltd.	-	-	1,381	42
Other related parties	18,939	584	13,169	402
Total	<u>\$49,729</u>	<u>\$1,533</u>	<u>\$33,904</u>	<u>\$1,035</u>

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c. Rental Expense

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	\$274,584	\$8,467	\$300,120	\$9,161

d. Handling fees income

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	\$661,862	\$20,409	\$1,117,006	\$34,097

e. Accrued insurance expense

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	\$459,751	\$14,177	\$555,658	\$16,961
Cathay Century	152,728	4,709	153,980	4,700
Total	\$612,479	\$18,886	\$709,638	\$21,661

f. General expense

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Seaward Card	\$294,645	\$9,086	\$254,566	\$7,771
Symphox Information	415,612	12,816	460,260	14,049
Cathay Life	106,119	3,272	127,257	3,885
Total	\$816,376	\$25,174	\$842,083	\$25,705

g. Receivables

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Financial Holding	\$1,096,026	\$33,797	\$1,781,772	\$54,389

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h. Financial assets at fair value through profit or loss-mutual fund.

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Trust Co., Ltd.	<u>\$775,649</u>	<u>\$23,918</u>	<u>\$845,649</u>	<u>\$25,813</u>

i. Other Disclosures

(a) Cathay United Bank entered into a contract with San Ching Engineering Co., Ltd. to build the Nei-hu Financial Building and North Taiyuan Branch totaling NT\$1,411,880 (US\$43,322) thousands, in 2006. Cathay United Bank paid the amount of NT\$471,272 (US\$14,532) thousands and NT\$620,074 (US\$18,928) thousands during the years ended December 31, 2007 and 2008. As of December 31, 2007 and 2008, the accumulated paid amount was NT\$561,823 (US\$17,324) thousands and NT\$1,181,897(US\$36,077) thousands, respectively.

(b) Cathay United Bank enters into a contract with Cathay Life to transferring credit facilities. The transferring loan amount was NT\$1,030,000 (US\$31,761) thousands and NT\$4,448,000 (US\$135,775) thousands during the year ended December 31, 2007 and 2008, respectively.

(c) As of December 31, 2007 and 2008, the Cathay Life held the dominant financial debentures with notional amounts of NT\$200,000 (US\$6,167) thousands and NT\$0 (US\$0), respectively, which was issued by Cathay United Bank in 2003.

C. Cathay Century

a. Cash in banks

Name	Item	For the year ended December 31, 2007		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$420,729	0.10%	\$221
	Time deposits	<u>488,650</u>	2.16%~2.49%	<u>10,052</u>
Total		<u>\$909,379</u>		<u>\$10,273</u>

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		For the year ended December 31, 2007		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$12,973	0.10%	\$7
	Time deposits	15,068	2.16%~2.49%	310
Total		<u>\$28,041</u>		<u>\$317</u>

		For the year ended December 31, 2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$743,190	0.10%	\$535
	Time deposits	736,372	2.18%~2.685%	11,772
Total		<u>\$1,479,562</u>		<u>\$12,307</u>

		For the year ended December 31, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$22,686	0.10%	\$16
	Time deposits	22,478	2.18%~2.685%	360
Total		<u>\$45,164</u>		<u>\$376</u>

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

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$155,324</u>	<u>\$4,789</u>	<u>\$-</u>	<u>\$-</u>

c. Other payables

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Financial Holding	\$251,961	\$7,769	\$212,281	\$6,480
Cathay Life	77,960	2,404	153,614	4,689
Total	<u>\$329,921</u>	<u>\$10,173</u>	<u>\$365,895</u>	<u>\$11,169</u>

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d. Premium income

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	\$130,679	\$4,030	\$49,272	\$1,504
Cathay United Bank	152,728	4,709	153,980	4,700
Total	<u>\$283,407</u>	<u>\$8,739</u>	<u>\$203,252</u>	<u>\$6,204</u>

e. Operating expense

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	<u>\$835,234</u>	<u>\$25,755</u>	<u>\$976,826</u>	<u>\$29,818</u>

f. Other Disclosures

As of December 31, 2007 and 2008 the nominal amount of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	For the year ended December 31,	
	2007	2008
Forward foreign exchange contracts	US\$21,660	US\$10,841
CS contracts	US\$34,550	US\$24,550
IRS	NT\$200,000 (USD\$6,167)	NT\$600,000 (US\$18,315)

D. Cathay Securities

a. Cash in bank

Name	Item	For the year ended December 31, 2007		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$4,666	0.10%~2.35%	\$100
	Negotiable certificates of deposit	200,000	1.50%~1.77%	10,649
	Time deposits	4,000	1.39%~2.49%	870
Total		<u>\$208,666</u>		<u>\$11,619</u>

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		For the year ended December 31, 2007		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$144	0.10%~2.35%	\$3
	Negotiable certificates of deposit	6,167	1.50%~1.77%	328
	Time deposits	123	1.39%~2.49%	27
Total		<u>\$6,434</u>		<u>\$358</u>

		For the year ended December 31, 2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	<u>\$157,636</u>	0.02%~2.68%	<u>\$3,933</u>

		For the year ended December 31, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	<u>\$4,812</u>	0.02%~2.68%	<u>\$120</u>

As of December 31, 2008, NT\$22,000 (US\$672) thousands in time deposits reflected premiums received or structured notes and issuance of warrants and were recognized under guarantee deposits paid.

As of December 31, 2008, NT\$33,000 (US\$1,007) thousands in time deposits pledged as collateral for the over-draft of settlement accounts and recognized under restricted assets, the remaining negotiable certificates of deposit have not been pledged as collateral.

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

		For the year ended December 31, 2007						
Name	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Futures	<u>\$642</u>	<u>\$20</u>	<u>\$863</u>	<u>\$27</u>	<u>\$36</u>	<u>\$1</u>	<u>\$221,839</u>	<u>\$6,841</u>

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Name	For the year ended December 31, 2008							
	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Futures	\$-	\$-	\$-	\$-	\$-	\$-	\$221,903	\$6,773

E. Cathay Pacific Venture

Available-for-sale financial assets

Name	December 31,			
	2007 (NT\$)	2007 (US\$)	2008 (NT\$)	2008 (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$411,763	\$12,697	\$320,545	\$9,785

F. Indovina Bank

a. Call Loans from Banks

Name	For the year ended December 31, 2007			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$-	\$-	\$2,551	\$79

Name	For the year ended December 31, 2008			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$722,920	\$22,067	\$48,840	\$1,491

b. Call Loans to Banks

Name	For the year ended December 31, 2007			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$422,292	\$13,022	\$1,423	\$44

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Name	For the year ended December 31, 2008			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$230,020	\$7,021	\$5,269	\$161

G. Cathay Futures

a. Cash in bank

Name	Item	For the year ended December 31, 2007		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$282,500	1.71%~2.49%	\$4,546
	Cash in bank	4,055	0.02%~2.35%	24
	Total	\$286,555		\$4,570

Name	Item	For the year ended December 31, 2007		
		Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$8,711	1.71%~2.49%	\$140
	Cash in bank	125	0.02%~2.35%	1
	Total	\$8,836		\$141

Name	Item	For the year ended December 31, 2008		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$308,000	0.60%~2.40%	\$5,432
	Cash in bank	10,053	0.01%~1.20%	15
	Total	\$318,053		\$5,447

Name	Item	For the year ended December 31, 2008		
		Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$9,402	0.60%~2.04%	\$166
	Cash in bank	307	0.01%~1.20%	-
	Total	\$9,709		\$166

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As of December 31, 2007 and 2008, Cathay Futures has time deposit amounting to NT\$60,000 (US\$1,832) thousands in Cathay United Bank as the guaranty bond, in accordance with Article 14 of Rules Governing Futures Commission Merchants and Article 11 of Regulation Governing Futures Advisory Enterprises.

b. Customer's margin accounts

Name	December 31,					
	2007			2008		
	(NT\$)	(US\$)	Rate	(NT\$)	(US\$)	Rate
Cathay United Bank	<u>\$931,723</u>	<u>\$28,730</u>	0.02%~2.02%	<u>\$1,350,960</u>	<u>\$41,238</u>	0.02%~2.15%

c. Futures customers' equity

Name	December 31,			
	2007 (NT\$)	2007 (US\$)	2008 (NT\$)	2008 (US\$)
Cathay Life	\$560,751	\$17,291	\$731,062	\$22,316
Cathay Securities	221,839	6,841	221,903	6,773
Total	<u>\$782,590</u>	<u>\$24,132</u>	<u>\$952,965</u>	<u>\$29,089</u>

H. Symphox Information

a. Cash in bank

For the year ended December 31,2007				
Name	Item	Ending balance	Rate	Interest income
		(NT\$)		(NT\$)
Cathay United	Time deposit	\$279,136	2.11%~2.49%	\$2,009
Bank	Cash in bank	<u>32,742</u>	0.10%	<u>27</u>
Total		<u>\$311,878</u>		<u>\$2,036</u>

For the year ended December 31,2007				
Name	Item	Ending balance	Rate	Interest income
		(US\$)		(US\$)
Cathay United	Time deposit	\$8,607	2.11%~2.49%	\$62
Bank	Cash in bank	<u>1,010</u>	0.10%	<u>1</u>
Total		<u>\$9,617</u>		<u>\$63</u>

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		For the year ended December 31,2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposit	\$469,000	1.175%~2.68%	\$7,399
	Cash in bank	4,312	0.10%	26
Total		<u>\$473,312</u>		<u>\$7,425</u>

		For the year ended December 31,2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposit	\$14,316	1.175%~2.68%	\$226
	Cash in bank	132	0.10%	1
Total		<u>\$14,448</u>		<u>\$227</u>

b. Sales Revenue

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay United Bank	<u>\$260,051</u>	<u>\$8,019</u>	<u>\$288,708</u>	<u>\$8,813</u>

c. Service Income

Name	For the year ended December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	\$164,604	\$5,075	\$170,640	\$5,209
Cathay United Bank	155,561	4,797	171,552	5,236
Total	<u>\$320,165</u>	<u>\$9,872</u>	<u>\$342,192</u>	<u>\$10,445</u>

I. Cathay Venture

Available-for-sale financial assets

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$104,247</u>	<u>\$3,215</u>	<u>\$133,089</u>	<u>\$4,063</u>

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J. Cathay Life (Shanghai)

Other payable

Name	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	\$298,343	\$9,200	\$265,211	\$8,096

26. Pledged assets

As of December 31, 2007 and 2008, the Company and Subsidiaries' pledged assets are summarized below:

Item	Guarantee purpose	Carrying amount			
		2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, loan, other financial or leasing	\$976,593	\$30,114	\$1,024,667	\$31,278
Guarantee deposits paid	Government bonds	8,392,821	258,798	8,796,970	268,528
Financial assets at fair value through profit or loss	Business reserves and guarantees	791,061	24,393	732,736	22,367
Available-for-sale financial assets	Business reserves and guarantees	8,228,624	253,735	3,108,585	94,890
Held-to-maturity financial assets	Business reserves and guarantees	658,944	20,319	91,118	2,781
Investments in debt securities with no active market	Business reserves and guarantees	15,000,000	462,534	15,500,000	473,138
		<u>\$34,048,043</u>	<u>\$1,049,893</u>	<u>\$29,254,076</u>	<u>\$892,982</u>

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27. Commitment and contingent liabilities

(1) Cathay United Bank

- A. On January 1, 2004, Pacific SOGO issued its own SOGO membership card, which Cathay United Bank believes constituted a breach of Pacific SOGO's co-branded card contract with Cathay United Bank. Cathay United Bank has filed a motion of injunction and provisional measures against certain of Pacific SOGO's properties and the issuance of its own membership cards. As to the provisional measures, the Taipei District Court had adjudged in favor of Cathay United Bank on June 30, 2007. However, Pacific SOGO appealed against the decision and the appeal is currently being reviewed by the High Court. Furthermore, Cathay United Bank also filed an incidental civil procedures and claim, which is being reviewed by the Taipei District Court, against Pacific SOGO. Subsequently the Taipei District Court issued a judgment favoring Cathay United Bank on October 12, 2006, ordering Pacific SOGO to pay the punitive damages of NT\$400,000 (US\$12,210) thousands. Pacific SOGO had filed an appeal against such order and the appeal is currently being reviewed by the High Court.
- B. Lee and Li Attorneys-at-Law and SanDisk Corporation filed lawsuits in the Taiwan Taipei District Court alleging that Cathay United Bank breached its contractual and fiduciary duties in connection with the embezzlement conducted by a former employee of Lee and Li Attorneys-at-Law, Eddie Liu, on October 2003. Both plaintiffs claimed indemnities amounted NT\$0.9 billion (US\$2.7 million) and NT\$3.09 billion (US\$9.4 million), respectively. Cathay United Bank has been advised by its legal advisor that it is possible, but not probable, that the action will succeed and accordingly no provision for any claims has been made in these financial statements.
- C. As of June 30, 2008, Cathay United Bank had entered into certain contracts to purchase premises and equipments totaling NT\$2,874,378 (US\$87,740) thousands with NT\$2,341,954 (US\$71,488) thousands of prepayment made.

(2) Cathay Century

Cathay Century and Itanara Import Export Company ('Itanara') are involved in a dispute on cargo insurance benefits. The Itanara filed a lawsuit against Cathay Century and claimed for US\$773 thousands with related notarization expenses. The Taiwan Taipei District Court ruled in favor of Itanara in the lawsuit except the notarization expenses. Cathay Century has appealed to the higher court and the lawsuit is still in progress.

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(3) Cathay Securities

As of December 31, 2008, Cathay Securities requested banks to issue letters of guarantees for warrants issuance of NT\$348,000 (US10,623) thousands.

(4) As of December 31, 2007 and 2008, Cathay United Bank subsidiaries had the following commitments and contingent liabilities, which were not reflected in the financial statements:

	December 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Trust and security held for safekeeping	\$346,445,142	\$10,682,860	\$179,184,468	\$5,469,611
Travelers checks for sale	563,896	17,388	415,949	12,697
Bills for collection	51,625,884	1,591,917	41,468,607	1,265,831
Guarantees on duties and contracts	19,258,183	593,839	16,670,523	508,868
Unused commercial letters of credit	2,957,974	91,211	2,390,960	72,984
Irrevocable loan commitments	40,783,846	1,257,596	38,241,377	1,167,319
Credit card lines commitments	278,940,434	8,601,308	268,488,361	8,195,615
Stamp tax, securities and memorial currency consignments	1,727	53	1,727	53
Book-entry for government bonds and depository for short-term marketable securities under management	383,450,700	11,823,950	443,802,700	13,547,091
Entrusted financial management business	2,253,460	69,487	-	-

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

Periods	NT\$	US\$
January 1, 2009~December 31, 2009	\$884,812	\$27,009
January 1, 2010~December 31, 2013	1,989,003	60,714
Total	<u>\$2,873,815</u>	<u>\$87,723</u>

28. Significant disaster losses: None.

29. Subsequent events: None.

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30. Other significant matters

(1) Pension related information

A. Net periodic pension cost:

	For the years ended December 31,			
	2007		2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
(1) Service cost	\$712,006	\$21,955	\$554,409	\$16,924
(2) Interest cost	402,437	12,410	346,557	10,579
(3) Projected return on plan assets	(349,293)	(10,771)	(235,830)	(7,199)
(4) Amortization of unrealized gain on pension	(118)	(4)	(158)	(5)
(5) Amortization of unrealized transit on obligation	(377,987)	(11,655)	(377,987)	(11,538)
(6) Net amortization	74,995	2,313	68,141	2,080
(7) Amortization of prior service cost	51,733	1,595	51,733	1,579
(8) Amortization of gain or loss	1,659	51	100,617	3,071
(9) Net periodic pension cost	<u>\$515,432</u>	<u>\$15,894</u>	<u>\$507,482</u>	<u>\$15,491</u>

B. Pension funded status:

	For the years ended December 31,			
	2007		2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
(1) Vested benefit obligation	\$(7,893,978)	\$(243,416)	\$(7,352,735)	\$(224,442)
(2) Non-vested benefit obligation	(4,046,796)	(124,785)	(3,688,080)	(112,579)
(3) Accumulated benefit obligation	(11,940,774)	(368,201)	(11,040,815)	(337,021)
(4) Additional benefits based on future salaries	(2,344,669)	(72,300)	(1,491,321)	(45,523)
(5) Projected benefit obligation	(14,285,443)	(440,501)	(12,532,136)	(382,544)
(6) Fair value of plan assets	12,497,171	385,358	8,584,175	262,032
(7) Funded status=(5)+(6)	(1,788,272)	(55,143)	(3,947,961)	(120,512)
(8) Unrecognized transitional net assets	(924,428)	(28,505)	(585,859)	(17,883)
(9) Unrecognized prior service cost	206,934	6,381	155,200	4,737
(10) Unrecognized pension gain and loss	1,141,974	35,214	2,949,450	90,032
(11) Additional accrued pension liability	(9,489)	(293)	(431,689)	(13,177)
(12) Accrued pension liability / prepaid pension cost=(7)+(8)+(9)+(10)+(11)	<u>\$(1,373,281)</u>	<u>\$(42,346)</u>	<u>\$(1,860,859)</u>	<u>\$(56,803)</u>
(13) Vested benefit	<u>\$9,491,650</u>	<u>\$292,681</u>	<u>\$10,519,865</u>	<u>\$321,119</u>

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C. Actuarial assumptions

	For the years ended December 31,	
	2007	2008
(1) Discount rate	3.00%-3.50%	2.50%-3.50%
(2) Rate of increase in future salaries	2.00%~3.00%	1.50%~3.00%
(3) Expected return on pension plan assets	3.00%-3.50%	2.50%-3.00%

(2) Disclosures information of CUTIC which was acquired by Cathay United Bank is as follow:

A. 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”) took CUTIC into receivership from March 30, 2007. CUTIC went into receivership due to the deteriorating financial and operating conditions and with net worth dipped into the red.

B. 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, Cathay United Bank could provide customers with more convenient and diversifying financial services and to improve long-term profitability.

(b) Regulations: Transfer was governed by Article 9 and 18 of The Financial Institutions Merger Act, and Article 36 of the Security Exchange Act.

C. Effective date of the transfer: December 29, 2007.

D. Type, quantity, and amount of marketable securities issued for the transfer: None.

E. Accounting treatment for assets acquired and liabilities assumed:

(a) Accounting methods for the transfer: Cathay United Bank assumed the specific assets and liabilities 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.

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

	Amount	
	(NT\$)	(US\$)
Assets	\$59,212,341	\$1,807,458
Liabilities	74,549,715	2,275,632
Net	(15,337,374)	(468,174)
Add: Received from the FRF and CDIC	8,800,000	268,620
Adjustment of purchase price relating to fair value adjustments	(135,709)	(4,142)
Goodwill arising on acquisition	<u>\$(6,673,083)</u>	<u>\$(203,696)</u>

On December 31, 2007, Cathay United Bank has received NT\$8,800 (US\$269) million as cash subsidies from the FRF and CDIC, and will settle the rest of the 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. The purchase price was adjusted to NT\$135,709 (US\$4,142) thousands for the year ended December 31, 2008.

(3) Financial instruments related information

A. The Company

a. Information of fair value

Item	December 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$10,262,917	\$10,262,917	\$316,464	\$316,464
Receivables	2,490,453	2,490,453	76,795	76,795
Investments under equity method	214,115,082	214,115,082	6,602,377	6,602,377
Other financial assets	31,720	31,720	978	978
<u>Liabilities</u>				
Payables	3,051,760	3,051,760	94,103	94,103
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
CCS, option	444,155	444,155	13,696	13,696

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Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,299,386	\$2,299,386	\$70,189	\$70,189
Receivables	4,077,241	4,077,241	124,458	124,458
Held-to-maturity financial assets	15,000,000	15,000,000	457,876	457,876
Investments under equity method	144,936,489	144,936,489	4,424,191	4,424,191
Other financial assets	31,720	31,720	968	968
<u>Liabilities</u>				
Payables	6,212,178	6,212,178	189,627	189,627
Other loans	20,000,000	20,000,000	610,501	610,501

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

(a) The fair value of the Company's short-term financial instruments is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, receivables payables and other financial assets.

(b) The fair value of derivative and bonds payable was determined based on the present value of anticipated cash flow.

c. The fair value of the Company's financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Financial instruments	December 31, 2007			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$-	\$-	\$10,262,917	\$316,464
Receivables	-	-	2,490,453	76,795
Investments under equity method	-	-	214,115,082	6,602,377
Other financial assets	-	-	31,720	978

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Financial instruments	December 31, 2007			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Payables	\$-	\$-	\$3,051,760	\$94,103
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
CCS, option	-	-	444,155	13,696
Financial instruments	December 31, 2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$-	\$-	\$2,299,386	\$70,189
Receivables	-	-	4,077,241	124,458
Held-to-maturity financial assets	-	-	15,000,000	457,876
Investments under equity method	-	-	144,936,489	4,424,191
Other financial assets	-	-	31,720	968
<u>Liabilities</u>				
Payables	-	-	6,212,178	189,627
Other loans	-	-	20,000,000	610,501

Note: The derivative financial instruments of the Company were valued using Discount Cash flow Model and Black-Scholes Model.

d. Information on financial risks

(a) Risk of interest rate

The following table summarizes the maturities of the Company's financial instruments at December 31, 2007 and 2008:

- ① As of December 31, 2008, the Company's financial instruments were all redeemed; therefore the Company's exposure to interest risk is minimal.

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② December 31, 2007

Fixed interest rate

Item	December 31, 2007							
	Less than one year		Due in 1~2 year		Due in 2~3 year		Due in 3~4 year	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value								
through profit or loss	\$-	\$-	\$-	\$-	\$444,155	\$13,696	\$-	\$-

Item	December 31, 2007						
	Due in 4~5 year		Over 5 years		Total		
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Financial liabilities at fair value through							
profit or loss		\$-	\$-	\$-	\$-	\$444,155	\$13,696

Floating interest rate

Item	December 31, 2007							
	Less than one year		Due in 1~2 year		Due in 2~3 year		Due in 3~4 year	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value								
through profit or loss	\$-	\$-	\$-	\$-	\$444,155	\$13,696	\$-	\$-

Item	December 31, 2007						
	Due in 4~5 year		Over 5 years		Total		
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Financial liabilities at fair value through							
profit or loss		\$-	\$-	\$-	\$-	\$444,155	\$13,696

The interest rate of a financial instrument with floating interest rate is repriced within a year. The interest rate of a financial instrument with fixed interest rate is fixed until the due date. Financial instruments excluded from the tables above due to absence of interest risk are non-interesting bearing financial instruments.

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(b) Credit risk

The Company's exposure to credit risk is minimal.

e. Financial risk management objectives and policies

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

The Company enters into derivative transactions such as foreign currency options and cross currency swaps to protect against the risks from net investments in foreign operations arising from interest rate and exchange rate fluctuations. Derivatives not qualified for hedge accounting are measured at fair value through profit or loss.

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

Market Risk

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

Credit Risk

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

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Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal controls, employee fraud or misconduct and management negligence. To mitigate the operational risk, the Company has adopted and implemented the internal control regulations and procedures. The Company has also commenced the development of information systems to accommodate and support the aforementioned policies.

Liquidity Risk

Liquidity risk is the risk stemming from the lack of marketability of an investment that can not be bought or sold quickly enough to prevent or minimize a loss. The Company has primarily sought to achieve the flexible cash flow and stable liquidity by utilizing the deposits in financial institutions and short-term notes (includes repurchase agreement). In pursuit of these goals, the Company also conducts analysis of assets allocation, liquid asset ratio and cash flows to ensure the effectiveness and timeliness of managing liquidity risk.

B. Cathay Life

a. Information of fair value

Item	December 31, 2007			
	(NT\$)		(US\$)	
	Carrying Amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$196,913,663	\$196,913,663	\$6,071,960	\$6,071,960
Notes and accounts receivable	32,916,924	32,916,924	1,015,014	1,015,014
Financial assets at fair value through profit or loss - current	86,981,385	86,981,385	2,682,127	2,682,127
Available-for-sale financial assets - current	181,373,065	181,373,065	5,592,756	5,592,756
Held-to-maturity financial assets - current	8,307,886	8,303,803	256,179	256,053
Investments in debt securities with no active market - current	5,850,138	5,853,746	180,393	180,504
Other financial assets - current	4,000,000	4,000,000	123,343	123,343
Available-for-sale financial assets - noncurrent	229,265,818	229,265,818	7,069,560	7,069,560
Held-to-maturity financial assets - noncurrent	572,148,779	561,032,468	17,642,577	17,299,799

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Item	December 31, 2007			
	(NT\$)		(US\$)	
	Carrying Amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets carried at cost - noncurrent	\$19,053,344	\$-	\$587,522	\$-
Investments in debt securities with no active market - noncurrent	59,126,664	54,880,852	1,823,209	1,692,287
Investments under the equity method	6,254,217	6,254,217	192,853	192,853
Other financial assets – noncurrent	19,400,000	19,400,000	598,211	598,211
Guarantee deposits paid	10,332,035	10,332,035	318,595	318,595
<u>Liabilities</u>				
Notes and accounts payable	9,366,030	9,366,030	288,807	288,807
Guarantee deposits received	1,488,192	1,488,192	45,889	45,889
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Forward, CCS, CCS	6,478,602	6,478,602	199,772	199,772
IRS, CDS	97,193	97,193	2,997	2,997
Derivative financial assets for hedging - current				
IRS	252,645	252,645	7,790	7,790
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Forward, CS, CCS	13,009,518	13,009,518	401,157	401,157
IRS, CDS	49,101	49,101	1,514	1,514
Derivative financial liabilities for hedging - current				
IRS	101,430	101,430	3,128	3,128

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Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$221,966,913	\$221,966,913	\$6,775,547	\$6,775,547
Notes and accounts receivable	32,659,740	32,659,740	996,940	996,940
Financial assets at fair value through profit or loss - current	68,013,261	68,013,261	2,076,107	2,076,107
Available-for-sale financial assets - current	107,359,797	107,359,797	3,277,161	3,277,161
Held-to-maturity financial assets - current	29,110,492	26,790,843	888,599	817,791
Investments in debt securities with no active market - current	3,710,079	3,660,373	113,250	111,733
Available-for-sale financial assets - noncurrent	272,242,609	272,242,609	8,310,214	8,310,214
Held-to-maturity financial assets - noncurrent	617,485,367	621,007,617	18,848,760	18,956,276
Financial assets carried at cost - noncurrent	18,964,245	-	578,884	-
Investments in debt securities with no active market - noncurrent	85,839,151	66,151,654	2,620,243	2,019,281
Investments under the equity method	6,466,022	6,466,022	197,376	197,376
Other financial assets – noncurrent	6,100,000	6,100,000	186,203	186,203
Guarantee deposits paid	12,018,527	12,018,527	366,866	366,866
<u>Liabilities</u>				
Notes and accounts payable	6,069,451	6,069,451	185,271	185,271
Guarantee deposits received	1,542,898	1,542,898	47,097	47,097
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Forward, CS, CCS	6,753,736	6,753,736	206,158	206,158
IRS, CDS	486,339	486,339	14,845	14,845
Derivative financial assets for hedging - current				
IRS	2,770,036	2,770,036	84,555	84,555
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Forward, CS, CCS	29,888,321	29,888,321	912,342	912,342
IRS, CDS	195,928	195,928	5,981	5,981
Derivative financial liabilities for hedging - current				
IRS, CDS	122,368	122,368	3,735	3,735

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

- (a) The fair value of Cathay Life's cash and cash equivalents, receivables and payables is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments.
 - (b) The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount as Cathay Life predicts the future cash inflow or outflow will be of similar amount to the carrying value.
 - (c) Quoted market price, if available, are utilized as estimates of the fair value of financial instruments. If no quoted market prices exist for Cathay Life's financial assets, the fair value of those assets is derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price available to Cathay Life. Cathay Life uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.
 - (d) The fair value of Cathay Life's financial instruments is based on market prices if available at the reporting date. When market prices are not available, the fair value is based on carrying amount or other relevant financial information.
 - (e) If no quoted market prices exist for Cathay Life's long-term investments accounted for under the equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.
- c. The fair values of financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

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Item	December 31,2007			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$178,992,569	\$5,519,352	\$17,921,094	\$552,608
Notes and accounts receivable	-	-	32,916,924	1,015,014
Financial assets at fair value through profit or loss - current	81,791,799	2,522,103	5,189,586	160,024
Available-for-sale financial assets - current	181,373,019	5,592,754	46	2
Held-to-maturity financial assets - current	6,219,703	191,788	2,084,100	64,265
Investments in debt securities with no active market - current	2,848,883	87,847	3,004,863	92,657
Other financial assets-current	-	-	4,000,000	123,343
Available-for-sale financial assets - noncurrent	226,180,672	6,974,427	3,085,146	95,133
Held-to-maturity financial assets - noncurrent	93,706,241	2,889,493	467,326,227	14,410,306
Investments in debt securities with no active market - noncurrent	-	-	54,880,852	1,692,287
Investments under the equity method	-	-	6,254,217	192,853
Other financial assets - noncurrent	-	-	19,400,000	598,211
<u>Liabilities</u>				
Notes and accounts payable	-	-	9,366,030	288,807
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss - current				
Forward, CS, CCS	-	-	6,478,602	199,772
IRS, CDS	-	-	97,193	2,997
Derivative financial assets for hedging - current				
IRS	-	-	252,645	7,790
<u>Liabilities</u>				
Financial liabilities at fair value through profit and loss - current				
Forward, CS, CCS	-	-	13,009,518	401,157
IRS, CDS	-	-	49,101	1,514
Derivative financial liabilities for hedging - current				
IRS	-	-	101,430	3,128

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Item	December 31, 2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$212,493,164	\$6,486,361	\$9,473,749	\$289,186
Notes and accounts receivable	-	-	32,659,740	996,940
Financial assets at fair value through profit or loss				
- current	64,544,414	1,970,220	3,468,847	105,887
Available-for-sale financial assets - current	107,259,749	3,274,107	100,048	3,054
Held-to-maturity financial assets - current	1,197,093	36,541	25,593,750	781,250
Investments in debt securities with no active market - current	-	-	3,660,373	111,733
Available-for-sale financial assets - noncurrent	270,944,378	8,270,585	1,298,231	39,629
Held-to-maturity financial assets - noncurrent	83,646,781	2,553,320	537,360,836	16,402,956
Investment in debt securities with no active market - noncurrent	-	-	66,151,654	2,019,281
Investments under the equity method	-	-	6,466,022	197,376
Other financial assets - noncurrent	-	-	6,100,000	186,203
<u>Liabilities</u>				
Notes and accounts payable	-	-	6,069,451	185,271
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- current				
Forward, CS, CCS	-	-	6,753,736	206,158
IRS, CDS	-	-	486,339	14,845
Derivative financial assets for hedging - current				
IRS	-	-	2,770,039	84,555
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
- current				
Forward, CS, CCS	-	-	29,888,321	912,342
IRS, CDS	-	-	195,928	5,981
Derivative financial liabilities for hedging - current				
IRS, CDS	-	-	122,368	3,735

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d. Information on financial risk

(a) Interest rate risk

The following table summarizes the maturities of Cathay Life's financial instruments at December 31, 2007 and 2008:

① December 31, 2007

Non-derivative financial instruments of fixed interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$1,491,509	\$45,992	\$48,607	\$1,499	\$136,838	\$4,219	\$2,339,819	\$72,150
Available-for-sale financial assets	1,221,375	37,662	839,026	25,872	3,388,714	104,493	7,704,260	237,566
Held-to-maturity financial assets	6,327,347	195,108	12,685,460	391,164	5,091,188	156,990	16,188,132	499,172
Investments in debt securities with								
no active market	905,388	27,918	167,125	5,153	1,149,522	35,446	2,432,787	75,017
Item	Due in 4~5 years		Over 5 years		Total			
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)		
Financial assets at fair value								
through profit or loss	\$1,330,590	\$41,030	\$6,141,408	\$189,374	\$11,488,771	\$354,264		
Available-for-sale financial assets	11,126,920	343,106	93,751,564	2,890,890	118,031,859	3,639,589		
Held-to-maturity financial assets	7,891,044	243,325	446,625,898	13,771,998	494,809,069	15,257,757		
Investments in debt securities with								
no active market	455,602	14,049	48,821,596	1,505,446	53,932,020	1,663,029		

Non-derivative financial instruments of float interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$7,081,537	\$218,364	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	117,567,011	3,625,255	-	-	-	-	-	-
Held-to-maturity financial assets	85,647,596	2,640,999	-	-	-	-	-	-
Investments in debt securities with								
no active market	11,044,782	340,573	-	-	-	-	-	-

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Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$-	\$-	\$-	\$-	\$7,081,537	\$218,364
Available-for-sale financial assets	-	-	-	-	117,567,011	3,625,255
Held-to-maturity financial assets	-	-	-	-	85,647,596	2,640,999
Investments in debt securities with						
no active market	-	-	-	-	11,044,782	340,573

Derivative financial instruments

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$20	\$1	\$41,637	\$1,284	\$13,235	\$408	\$4,630	\$143
Derivative financial assets for								
hedging	2,661	82	953	29	46,839	1,444	12,851	396
Financial liabilities at fair value								
through profit or loss	5,280	163	17,758	547	26,063	804	-	-
Derivative financial liabilities for								
hedging	24,630	760	8,838	273	40,259	1,241	4,154	128
Item	Due in 4~5 years		Over 5 years		Total			
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)		
Financial assets at fair value								
through profit or loss	\$10,698	\$330	\$26,992	\$832	\$97,212	\$2,998		
Derivative financial assets for								
hedging	-	-	189,341	5,839	252,645	7,790		
Financial liabilities at fair value								
through profit or loss	-	-	-	-	49,101	1,514		
Derivative financial liabilities for								
hedging	-	-	23,549	726	101,430	3,128		

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② December 31, 2008

Non-derivative financial instruments of fixed interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$2,358,389	\$71,990	\$1,659,977	\$50,671	\$716,038	\$21,857	\$1,287,247	\$39,293
Available-for-sale financial assets	992,179	30,286	2,949,408	90,031	5,064,835	154,604	9,299,769	283,876
Held-to-maturity financial assets	192,294,852	5,869,806	12,865,998	392,735	16,277,738	496,878	12,303,721	375,572
Investments in debt securities with								
no active market	384,303	11,731	1,982,735	60,523	2,857,632	87,229	3,083,542	94,125
Item	Due in 4~5 years		Over 5 years		Total			
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)		
Financial assets at fair value								
through profit or loss	\$869,426	\$26,539	\$8,579,911	\$261,902	\$15,470,988	\$472,252		
Available-for-sale financial assets	18,750,024	572,345	117,627,151	3,590,572	154,683,366	4,721,714		
Held-to-maturity financial assets	10,890,521	332,434	306,996,235	9,371,069	551,629,065	16,838,494		
Investments in debt securities with								
no active market	4,064,709	124,076	55,921,414	1,707,003	68,294,335	2,084,687		

Non-derivative financial instruments of float interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$3,162,104	\$96,523	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	123,173,963	3,759,889	-	-	-	-	-	-
Held-to-maturity financial assets	94,966,793	2,898,864	-	-	-	-	-	-
Investments in debt securities with								
no active market	21,254,896	648,806	-	-	-	-	-	-
Item	Due in 4~5 years		Over 5 years		Total			
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)		
Financial assets at fair value								
through profit or loss	\$-	\$-	\$-	\$-	\$3,162,104	\$96,523		
Available-for-sale financial assets	-	-	-	-	123,173,963	3,759,889		
Held-to-maturity financial assets	-	-	-	-	94,966,793	2,898,864		
Investments in debt securities with								
no active market	-	-	-	-	21,254,896	648,806		

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Derivative financial instruments

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$34,694	\$1,059	\$39,875	\$1,217	\$-	\$-	\$-	\$-
Derivative financial assets for								
hedging	2,472	75	36,283	1,108	4,889	149	-	-
Financial liabilities at fair value								
through profit or loss	25,665	783	78,379	2,393	-	-	-	-
Derivative financial liabilities for								
hedging	647	20	24,415	745	15,770	481	-	-
Item	Due in 4~5 years		Over 5 years		Total			
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)		
Financial assets at fair value								
through profit or loss	\$-	\$-	\$91,189	\$2,784	\$165,758	\$5,060		
Derivative financial assets for								
hedging	873,193	26,654	1,853,199	56,569	2,770,036	84,555		
Financial liabilities at fair value								
through profit or loss	-	-	-	-	104,044	3,176		
Derivative financial liabilities for								
hedging	-	-	-	-	40,832	1,246		

(b) Credit risk

Cathay Life's exposure to credit risk is minimal.

e. Hedge Accounting Disclosures

Cash flow hedges - IRS

The following table summarizes the terms of the Cathay life's interest rate SWAP for bonds used as hedging instruments at December 31, 2007 and 2008:

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(5) December 31, 2007

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$300,000	\$9,251	5.35%-6ml The fourth and fifth years, 7.6%-90 BACP	Half year	2008/1/8
300,000	9,251	180DCP + 40bps	Half year	2008/3/24
500,000	15,418	4%-12ml	Yearly	2008/6/5
300,000	9,251	180DCP	Half year	2008/6/12
200,000	6,167	4.003%-6ml	Half year	2008/6/13
200,000	6,167	180DCP+18bps	Half year	2008/7/11
2,000,000	61,671	90DCP+75bps	Each quarter	2008/7/19
250,000	7,709	90DCP	Each quarter	2008/8/10
450,000	13,876	90DCP	Each quarter	2008/8/22
330,000	10,176	90DCP	Each quarter	2008/8/24
1,150,000	35,461	90DCP+30bps	Each quarter	2008/9/17
350,000	10,792	If 6ml<0.9%, 6ml If 0.9%<6ml<2.0%,3.05% If 2.0%<6ml, Max (4.0005%-6ml)	Yearly	2008/9/26
100,000	3,084	180DCP+30bps	Half year	2008/12/18
300,000	9,251	If 6ml<0.95%, 6ml If 0.95%<6ml<2.0%,3.5% If 2.0%<6ml;4.8%-6ml	Half year	2009/1/7
200,000	6,167	If 6ml<0.95%, 6ml If 0.95%<6ml<2.0%,3.5% If 2.0%<6ml;4.8%-6ml	Half year	2009/1/9
200,000	6,167	5.85%-6ml	Half year	2009/1/13
50,000	1,542	If 6ml ≤ 1%, 6ml+0.2% If 1%<6ml<2%,3.15% If 6ml ≥ 2%, 4.15%-6ml	Half year	2009/1/16
310,000	9,559	ARMS	Each quarter	2009/3/24
900,000	27,752	90DCP+100bps	Each quarter	2009/5/20
200,000	6,167	4.000%-6ml	Half year	2010/4/7
300,000	9,251	4.0002%-6ml	Half year	2010/4/7
500,000	15,418	4.0006%-6ml	Half year	2010/4/7
500,000	15,418	4.0007%-6ml	Half year	2010/4/7

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Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$200,000	\$6,167	4.0003%-6ml	Half year	2010/4/7
300,000	9,251	4.3%-12ml	Yearly	2010/6/20
900,000	27,752	90DCP	Each quarter	2010/8/18
600,000	18,501	90DCP	Each quarter	2010/8/19
200,000	6,167	6.3%-6ml	Yearly	2010/11/27
300,000	9,251	5.37%-6ml	Yearly	2011/3/15
200,000	6,167	3.0%, if 6ml	Half year	2011/3/19
		2005/9/19~2006/9/19 :1.0%-2.5%		
		2006/9/19~2007/9/19 :1.0%-3.0%		
		2007/9/19~2008/9/19 :1.0%-3.5%		
		2008/9/19~2009/9/19 :1.0%-4.0%		
		2009/9/19~2010/9/19 :1.0%-4.5%		
		2010/9/19~2011/3/19 :1.0%-5.0%		
500,000	15,418	If 6ml<1.1%,6ml	Half year	2011/6/30
		If 1.1%≤6ml≤2.0%,3.8%		
		If 6ml>2.0%,Max(5.50%-6ml)		
2,700,000	83,256	90DCP+25bps	Each quarter	2013/8/24
3,000,000	92,507	90DCP+26.5bps	Yearly	2013/11/03
2,000,000	61,671	90DCP	Yearly	2013/11/03
500,000	15,418	90DCP+23bps	Yearly	2013/12/14
1,000,000	30,836	90DCP+26.5bps	Yearly	2013/12/14
1,500,000	46,253	90DCP+23bps	Yearly	2013/12/16
1,000,000	30,836	90DCP+26.5bps	Yearly	2013/12/16
1,300,000	40,086	90DCP+45bps	Each quarter	2013/12/27
3,200,000	98,674	90DCP	Yearly	2014/9/27
1,500,000	46,253	90DCP	Yearly	2014/9/29
-	24,000	6ml	Half year	2013/9/20
-	14,000	6ml	Half year	2014/3/20
-	24,000	6ml	Half year	2014/3/24

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(5) December 31, 2008

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$300,000	\$9,158	If 6ml<0.95%, 6ml If 0.95%<6ml<2.0%,3.5% If 2.0%<6ml, 4.8%-6ml	Half year	2009/1/7
200,000	6,105	If 6ml<0.95%, 6ml If 0.95%<6ml<2.0%,3.5% If 2.0%<6ml, 4.8%-6ml	Half year	2009/1/9
200,000	6,105	5.85%-6ml	Half year	2009/1/13
50,000	1,526	If 6ml ≤ 1%,6ml+0.2% If 1%<6ml<2%,3.15% If 6ml ≥ 2%, 4.15%-6ml	Half year	2009/1/16
247,500	7,555	ARMS	Each quarter	2009/3/24
900,000	27,473	90DCP+100bps	Each quarter	2009/5/20
200,000	6,105	4.000%-6ml	Half year	2010/4/7
300,000	9,158	4.0002%-6ml	Half year	2010/4/7
500,000	15,263	4.0006%-6ml	Half year	2010/4/7
500,000	15,263	4.0007%-6ml	Half year	2010/4/7
200,000	6,105	4.0003%-6ml	Half year	2010/4/7
300,000	9,158	4.3%-12ml	Yearly	2010/6/20
900,000	27,473	90DCP	Each quarter	2010/8/18
600,000	18,315	90DCP	Each quarter	2010/8/19
200,000	6,105	6.3%-6ml	Yearly	2010/11/27
300,000	9,158	5.37%-6ml	Yearly	2011/3/15
500,000	15,263	If 6ml<1.1%,6ml If 1.1% ≤ 6ml ≤ 2.0%,3.8% If 6ml>2.0%,Max(5.50%-6ml)	Half year	2011/6/30
2,000,000	61,050	90DCP	Yearly	2013/3/26
2,700,000	82,418	90DCP+25bps	Each quarter	2013/8/24
3,000,000	91,575	90DCP+26.5bps	Yearly	2013/11/3
2,000,000	61,050	90DCP	Yearly	2013/11/3
1,000,000	30,525	90DCP+26.5bps	Yearly	2013/12/14
500,000	15,263	90DCP+23bps	Yearly	2013/12/14
1,500,000	45,788	90DCP+23bps	Yearly	2013/12/16

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Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$1,000,000	\$30,525	90DCP+26.5bps	Yearly	2013/12/16
900,000	27,473	90DCP	Yearly	2014/3/12
1,000,000	30,525	90DCP	Yearly	2014/6/12
2,000,000	61,050	90DCP	Yearly	2014/6/29
5,000,000	152,625	90DCP	Yearly	2014/8/23
1,000,000	30,525	90DCP	Yearly	2014/9/20
3,200,000	97,680	90DCP	Yearly	2014/9/27
2,000,000	61,050	90DCP	Each quarter	2014/9/28
1,500,000	45,788	90DCP	Yearly	2014/9/29
2,500,000	76,313	90DCP	Yearly	2014/12/20
2,000,000	61,050	90DCP	Yearly	2014/12/24
-	24,000	6ml	Half year	2014/3/24

The terms of interest rate swap agreements are established based on the terms of the bonds being hedged.

The forward currency contracts are considered to be highly effective hedges. Cathay Life's interest rate swap agreements are considered to be highly effective cash flow hedges. Unrealized gains (losses) on these financial instruments recognized in equity are NT\$218,631 (US\$6,742) thousands and NT\$2,783,260 (US\$84,959) thousands as of December 31, 2007 and 2008.

Fair value hedges

The following table summarizes the terms of Cathay Life's credit default swap for bonds used as hedging instruments at December 31, 2007 and 2008:

①December 31, 2007

None.

②December 31, 2008

Par value		Hedge item	Maturity date
(NT\$)	(US\$)		
\$-	\$45,000	CDO	2012/9/20

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The terms of credit default swap agreements are established based on the terms of the bonds being hedged.

Cathay Life's credit default swap agreements are considered to be highly effective fair value hedges. Unrealized losses on these financial instruments recognized in profit or loss are NT\$81,536 (US\$2,489) thousands as of December 31, 2008.

f. Financial risk management objectives and policies

Cathay Life's financial assets primarily consist of domestic or foreign common stocks, preferred stocks, government bonds, corporate bonds, repurchase bonds, structured notes, project investments, short-term notes, mortgage-backed securities, mutual funds, cash and cash equivalents.

Cathay Life also enters into derivative transactions such as stock options, index futures, interest rate futures, interest rate swaps, currency forwards and cross currency swap to protect against the price risk of stock value, interest rate risk and foreign currency risk arising from investment activities. Cathay Life does not enter into derivative transactions for trading purpose; however, the derivatives not qualified for hedge accounting are measured at fair value through profit or loss

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

Market Risk

Market risk is the exposure to uncertain market value of a portfolio, including interest rate risk, stock price risk and foreign currency risk, etc. Cathay Life conducts analysis and assessments of the investment targets before any investment decisions are made. In addition, VaR model in connection with scenario analysis, stress testing, back testing, Position Limit, VaR Limit and Loss Limit are used to effectively manage the market risk of Cathay Life's financial instruments.

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Credit Risk

Credit risk is the risk of loss due to counterparty or a debtor defaulting on their contractual obligations. Cathay Life minimizes the credit risk exposure by performing the following evaluations and controls:

Cathay Life has taken the credit concentration index of each conglomerate into the consideration of establishing Lending Policy to prevent over-exposure. Strict credit evaluations are carried out by Cathay Life before committing to any business lending, mortgage lending, policy loan, and security investments. All lending are secured by land, property, plant and equipments or financial guarantees.

Assessments on the mortgage repayment ability and personal credits are performed before the mortgages are granted. The total mortgage amounts granted are based on the carrying value of the secured buildings which varies in different regions.

The credit risk level of policy loans is assessed at low, as the policy loan amounts are limited to the net realizable value of the insurance policy and hence are deemed as fully secured investments.

The Group trades only with recognized, creditworthy third parties in relation to financial assets or liabilities transactions. An internal credit risk evaluation model for investments in financial instruments is also created based on external credit assessments and various characteristics of financial instruments. Cathay Life also monitors the credit risk level of the investment targets, issuers or counterparties by evaluating the credit concentration of the investments or counterparties. Therefore Cathay Life is able to minimize its exposure to credit risk.

Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal controls, employee fraud or misconduct and management negligence. To mitigate the operational risk, Cathay Life has adopted and implemented the internal control regulations and procedures.

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Liquidity Risk

Liquidity risk is the risk stemming from the lack of marketability of an investment that can not be bought or sold quickly enough to prevent or minimize a loss. Cathay Life has primarily sought to achieve the flexible cash flow and stable liquidity by utilizing the deposits in financial institutions, short-term notes (includes repurchase agreement) and domestic bond funds. In pursuit of these goals, Cathay Life also conducts analysis of assets allocation, liquid asset ratio and cash flows to ensure the effectiveness and timeliness of managing liquidity risk.

Country Risk

Country risk is the risk of market price fluctuation or default of the issuers due to the political or economical issues in the country where investments are located.

Cathay Life categorizes and manages the investment risk based on country or region and minimizes the country risk by monitoring the concentration of country risk regularly.

C. Cathay United Bank

a. Information of fair value

Item	December 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$36,705,025	\$36,705,025	\$1,131,823	\$1,131,823
Available-for-sale financial assets	63,913,728	63,913,728	1,970,821	1,970,821
Held-to-maturity financial assets	260,150,321	260,070,546	8,021,903	8,019,443
Financial assets carried at cost	4,245,466	(Note)	130,911	(Note)
Others	874,554,971	874,554,971	26,967,467	26,967,467
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	44,277,140	44,277,140	1,365,314	1,365,314
Financial debentures payable	18,551,837	18,551,837	572,058	572,058
Others	1,138,877,712	1,138,877,712	35,118,030	35,118,030

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Item	December 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	\$911,233	\$911,233	\$28,099	\$28,099
Non-delivery forward	134,369	134,369	4,143	4,143
Currency swap	840,588	840,588	25,920	25,920
Interest rate swap	1,162,345	1,162,345	35,842	35,842
Cross currency swap	2,919	2,919	90	90
Options	58,107	58,107	1,792	1,792
Credit derivative instruments	658	658	20	20
Futures	171,023	171,023	5,274	5,274
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Forward	235,175	235,175	7,252	7,252
Non-delivery forward	131,466	131,466	4,054	4,054
Currency swap	1,322,846	1,322,846	40,791	40,791
Interest rate swap	1,207,275	1,207,275	37,227	37,227
Cross currency swap	382,662	382,662	11,799	11,799
Options	56,521	56,521	1,743	1,743
Credit derivative instruments	234,235	234,235	7,223	7,223
Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$38,910,838	\$38,910,838	\$1,187,755	\$1,187,755
Available-for-sale financial assets	98,016,783	98,016,783	2,991,965	2,991,965
Held-to-maturity financial assets	221,460,972	221,538,920	6,760,103	6,762,482
Investments under equity method	4,094,875	(Note)	124,996	(Note)
Others	928,156,040	928,156,040	28,331,992	28,331,992
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	32,713,796	32,713,796	998,590	998,590
Financial debentures payable	18,865,978	18,865,978	575,885	575,885
Others	1,200,825,206	1,200,825,206	36,655,226	36,655,226

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Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	\$6,785,149	\$6,785,149	\$207,117	\$207,117
Non-delivery forward	784,345	784,345	23,942	23,942
Currency swap	882,526	882,526	26,939	26,939
Interest rate swap	7,878,829	7,878,829	240,502	240,502
Cross currency swap	128,921	128,921	3,935	3,935
Options	354,397	354,397	10,818	10,818
<u>Liabilities</u>				
Forward	2,633,334	2,633,334	80,383	80,383
Non-delivery forward	770,571	770,571	23,522	23,522
Currency swap	5,229,128	5,229,128	159,619	159,619
Interest rate swap	4,941,705	4,941,705	150,846	150,846
Cross currency swap	88,788	88,788	2,710	2,710
Options	354,400	354,400	10,818	10,818
Credit derivative instruments	729,060	729,060	22,254	22,254
Credit default swap	46,838	46,838	1,430	1,430

Note: Fair value cannot be reliably estimated.

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

(a) 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.

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(b) Quoted market prices, if available, are utilized to determine the fair values of financial instruments at fair value through profit or loss, available-for-sale financial instruments, held-to-maturity financial assets and investments in debt securities with no active market. If no quoted market prices exist for certain of Cathay United Bank's financial instruments, the fair value of such instruments has been derived based on pricing models. A pricing model incorporates all factors that market participants would consider in setting a price that are available to Cathay United Bank. Cathay United Bank uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics.

(c) Discounts, loans and deposits are classified as interest-bearing financial assets. Thus, their carrying values are equivalent to their fair values.

The carrying values of these financial assets are amounts recoverable after deducting off allowance for doubtful accounts, as such the carrying values approximate fair values.

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

(e) The fair value of derivative financial instruments is based on the quoted market price in an active market. If a quoted market price does not exist, Cathay United Bank determines the fair value of the derivative by using pricing models, which generally take into account the unrealized gains or losses made on the derivative.

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

Item	December 31, 2007			
	Value determined by quoted market price		Value determined by pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$35,150,296	\$1,083,882	\$1,554,729	\$47,941
Available-for-sale financial assets	54,340,281	1,675,618	9,573,447	295,203
Held-to-maturity financial assets and debt securities with no active market	199,817,730	6,161,509	60,252,816	1,857,934
Other (Note)	-	-	-	-

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Item	December 31, 2007			
	Value determined by quoted market price		Value determined by pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	\$-	\$-	\$44,277,140	\$1,365,314
Financial debentures payable	-	-	18,551,837	572,058
Others (Note)	-	-	-	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	-	-	911,233	28,099
Non-delivery forward	-	-	134,369	4,143
Currency swap	-	-	840,588	25,920
Interest rate swap	-	-	1,162,345	35,842
Cross currency swap	-	-	2,919	90
Futures	-	-	171,023	5,274
Options	62	2	58,045	1,790
Credit derivative instruments	-	-	658	20
<u>Liabilities</u>				
Forward	-	-	235,175	7,252
Non-delivery forward	-	-	131,466	4,054
Currency swap	-	-	1,322,846	40,791
Interest rate swap	-	-	1,207,275	37,227
Cross currency swap	-	-	382,662	11,799
Options	-	-	56,521	1,743
Credit derivative instruments	-	-	234,235	7,223
Item	December 31, 2008			
	Value determined by quoted market price		Value determined by pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$38,600,569	\$1,178,284	\$310,269	\$9,471
Available-for-sale financial assets	90,706,744	2,768,826	7,310,039	223,139
Held-to-maturity financial assets and debt securities with no active market	182,652,497	5,575,473	38,886,423	1,187,009
Others (Note)	-	-	-	-

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Item	December 31, 2008			
	Value determined by quoted market price		Value determined by pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	\$-	\$-	\$32,713,796	\$998,590
Financial debentures payable	-	-	18,865,978	575,885
Others (Note)	-	-	-	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	-	-	6,785,149	207,117
Non-delivery forward	-	-	784,345	23,942
Currency swap	-	-	882,526	26,939
Interest rate swap	-	-	7,878,829	240,502
Cross currency swap	-	-	128,921	3,935
Options	-	-	354,397	10,818
<u>Liabilities</u>				
Forward	-	-	2,633,334	80,383
Non-delivery forward	-	-	770,571	23,522
Currency swap	-	-	5,229,128	159,619
Interest rate swap	-	-	4,941,705	150,846
Cross currency swap	-	-	88,788	2,710
Options	-	-	354,400	10,818
Credit derivative instruments	-	-	729,060	22,254
Credit default swaps	-	-	46,838	1,430

Note: Most of such assets and liabilities are receivables, discounts and loans, deposit and remittances, etc. Therefore their carrying values approximate their fair values. As such their fair values are not determined by quoted market price or pricing models but it is assumed that the carrying amounts approximate to their fair value.

- d. Losses recognized for the changes in fair values of financial assets or liabilities determined by pricing models were NT\$377,581(US\$11,643) thousands and NT\$1,020,262(US\$31,144) thousands for the year periods ended December 31, 2007 and 2008, respectively.

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- e. The interest income arising from financial assets or liabilities not at fair value through profit or loss for the year periods ended December 31, 2007 and 2008 were NT\$39,195,507 (US\$1,208,619) thousands and NT\$39,499,218 (US\$1,205,715) thousands, and expenses were NT\$18,497,254 (US\$570,375) thousands and NT\$18,969,351 (US\$579,040) thousands, respectively.
- f. Cathay United Bank recognized unrealized gains of NT\$322,140 (US\$9,933) thousands and loss of NT\$1,135,238 (US\$34,653) thousands in shareholders' equity for the changes in fair value of available-for-sale financial assets. Realized gains of NT\$1,474,142 (US\$45,456) thousands and NT\$70,567 (US\$2,154) thousands in income statements, for the year periods ended December 31, 2007 and 2008, respectively.
- g. Interest income from financial assets which were impaired amount to NT\$36(US\$1) thousands and NT\$0(US\$0) for the years ended December 31, 2007 and 2008, respectively. Interest income of such financial assets is determined by discounting future cash flows using certain discount rate.
- h. Information on financial risk

(a) Market risk

Market risk is the exposure to potential loss arising from adverse movements of market price, such as interest rates, foreign exchange rates and equity security prices

Cathay United Bank has a dedicated team managing the Bank's exposure to market risk; there is also a Market Risk Management Committee supervising the overall market risk management. Cathay United Bank regularly assesses the level of its assets and liabilities and reviews its deposits pricing policy and medium to long term financing strategies.

Ⓐ Interest rate risk

Government bonds and corporate bonds owned by Cathay United Bank are exposed to interest rate risk. If the market interest rate rises, the fair values of Cathay United Bank's fixed-rate bond investments may decline.

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ⓑ Foreign exchange risk

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

ⓒ Equity securities price risk

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

Cathay United Bank adopts many methodologies to manage its market risk. Value-at-risk (VAR) is one of the methodologies. VAR is statistical measure that assesses potential losses that might be caused by changes in risk factors over a specified period of time and at a specific level of statistical confidence. The following charts disclose Cathay United Bank's 1 day potential exposure to market risk. As the charts are based on 95% confidence interval, the market risk exposure may exceed the amounts disclosed below on an average of 5 days in 100 days period. Cathay United Bank's overall exposure to market risk will be smaller than the combined market risk of all the factors below.

January 1 ~ December 31, 2007						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$144,835	\$4,466	\$191,605	\$5,908	\$43,942	\$1,355
Foreign exchange	177,873	5,485	388,037	11,965	3,842	118
Equity Securities price	161,317	4,974	250,252	7,717	59,724	1,842

January 1 ~ December 31, 2008						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$176,570	\$5,390	\$293,710	\$8,966	\$71,356	\$2,178
Foreign exchange	264,597	8,077	434,482	13,263	143,629	4,384
Equity Securities price	126,425	3,859	208,847	6,375	66,379	2,026

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Cathay United Bank enters into a variety of derivatives transactions for both trading and hedging purposes. The objectives in using derivative instruments are to meet the customers' needs, to manage Cathay United Bank exposure to various risks and to generate revenues through trading activities. Cathay United 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 used to manage market risk. Market risk factor sensitivity 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 currency risks each foreign currency portfolio is exposed to, 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. Cathay United 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 in value of the equity portfolio caused by movements in the underlying stocks prices. Cathay United Bank equity portfolios include stocks and equity index options.

	(In thousands of US dollars)	
	December 31,	
	<u>Currency</u>	<u>2008</u>
<u>FX factor sensitivity (FX Delta)</u>		
	USD	\$(17,048)
	JPY	557
	NTD	18,271
	HKD	(1,981)

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	<u>Currency</u>	<u>December 31, 2008</u>
<u>Interest rate factor sensitivity (PVBP)</u>		
	USD	\$(1,075)
	NTD	(1,027)
	HKD	(1)
 <u>Equity factor sensitivity (Equity Delta)</u>		
	NTD	432

(b) Credit risk

Cathay United Bank's exposure to credit risk represents the risk of loss arising from the potential defaults of counterparty

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

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

- Ⓐ The credit risk amounts are assessed for all contracts with positive fair value on balance sheet date and off-balance-sheet commitment and guarantee contracts. The maximum credit risk exposure amounts of various financial instruments are the same as carrying value except for items disclosed below:

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Financial assets	December 31, 2007			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Financial assets at fair value through profit or loss				
loss	\$36,705,025	\$1,131,823	\$36,705,025	\$1,131,823
Available-for-sale financial assets	63,913,728	1,970,821	63,913,728	1,970,821
Held-to-maturity financial assets and debt securities with no active market	260,150,321	8,021,903	260,150,321	8,021,903
Other financial assets-financial assets carried at cost	4,245,466	130,911	4,245,466	130,911
Other assets	874,554,971	26,967,467	874,554,971	26,967,467
Guarantees on duties and contracts	-	-	19,258,183	593,839
Unused commercial letters of credit	-	-	2,957,974	91,211
Irrevocable loan commitments	-	-	40,783,846	1,257,596
Credit card line commitments	-	-	278,940,434	8,601,308
<u>Derivative financial instruments</u>				
Forward	911,233	28,099	911,233	28,099
Non-delivery forward	134,369	4,143	134,369	4,143
Currency swap	840,588	25,920	840,588	25,920
Interest rate swap	1,162,345	35,842	1,162,345	35,842
Cross currency swap	2,919	90	2,919	90
Future	171,023	5,274	171,023	5,274
Options	58,107	1,792	58,107	1,792
Credit derivative instruments	658	20	658	20
Financial assets	December 31, 2008			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Financial assets at fair value through profit or loss				
loss	\$38,910,838	\$1,187,755	\$38,910,838	\$1,187,755
Available-for-sale financial assets	98,016,783	2,991,965	98,016,783	2,991,965
Held-to-maturity financial assets and debt securities with no active market	221,460,972	6,760,103	221,460,972	6,760,103

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Financial assets	December 31, 2008			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Other financial assets-financial assets				
carried at cost	\$4,094,875	\$124,996	\$4,094,875	\$124,996
Other assets	928,156,040	28,331,992	928,156,040	28,331,992
Guarantees on duties and contracts	-	-	16,670,523	508,868
Unused commercial letters of credit	-	-	2,390,960	72,984
Irrevocable loan commitments	-	-	38,241,377	1,167,319
Credit card line commitments	-	-	268,448,361	8,194,394
<u>Derivative financial instruments</u>				
Forward	6,785,149	207,117	6,785,149	207,117
Non-delivery forward	784,345	23,942	784,345	23,942
Currency swap	882,526	26,939	882,526	26,939
Interest rate swap	7,878,829	240,502	7,878,829	240,502
Cross currency swap	128,921	3,935	128,921	3,935
Options	354,397	10,818	354,397	10,818

- ⑥ Cathay United Bank does not believe it has high levels of credit risk concentration with regard to any single customer or transaction. However, Cathay United Bank is likely to be exposed to regional or industry concentration risk. Cathay United Bank's information of concentration of credit risk is as follows:

Loans, customers' liabilities under acceptances and guarantees account	December 31,			
	2007		2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Industry type				
Manufacturing	\$104,305,781	\$3,216,336	\$136,535,182	\$4,167,741
Financial institutions and insurance	51,082,590	1,575,165	42,997,455	1,312,499
Leasing and real estate	80,635,270	2,486,441	78,087,199	2,383,614
Individuals	421,120,619	12,985,526	432,419,931	13,199,631
Others	128,816,613	3,972,143	142,745,603	4,357,314
Total	785,960,873	24,235,611	832,785,370	25,420,799
Valuation allowance	(9,746,610)	(300,543)	(8,333,394)	(254,377)
Maximum credit risk exposed	\$776,214,263	\$23,935,068	\$824,451,976	\$25,166,422

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share date and unless otherwise stated)**

	December 31,			
	2007		2008	
Loans, customers' liabilities under acceptances and guarantees account	(NT\$)	(US\$)	(NT\$)	(US\$)
Geographic Region				
Domestic	\$722,753,825	\$22,286,581	\$741,552,795	\$22,635,922
South East Asia	18,868,059	581,809	27,761,520	847,421
North East Asia	144,953	4,470	215,157	6,568
America	13,987,495	431,313	18,529,668	565,619
Others	30,206,541	931,438	44,726,230	1,365,269
Total	785,960,873	24,235,611	832,785,370	25,420,799
Valuation allowance	(9,746,610)	(300,543)	(8,333,394)	(254,377)
Maximum credit risk exposed	\$776,214,263	\$23,935,068	\$824,451,976	\$25,166,422

(c) Liquidity risk

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

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

Cathay United Bank's assets and liabilities management committee is responsible for overall liquidity risk management. Cathay United Bank's liquidity policy focuses on cash flow management, interbank funding capacity and the maintenance of sufficient liquid assets. The treasury department is responsible for daily operation and monitoring. The primary tools for monitoring liquidity include measurement of liquidity risk, analysis of interest rate sensitivity and scenario simulation, and continuous contingency planning. Cathay United Bank manages liquidity risks across all classes of assets and liabilities; when there are or expected to be significant changes to the liquidity risk faced by Cathay United Bank, the board of directors will be notified immediately.

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The liquidity risk rate was 27.84%. Capital and working capital of Cathay United Bank is sufficient to satisfy all contractual obligations. Cathay United Bank assesses the liquidity risk by analyzing assets and liabilities which are categorized appropriately.

(d) Cash flow risk and fair value risk from interest rate fluctuation

Cathay United Bank's financial debentures payable was matched with the interest rate swap and currency swap contracts which had been transferred from fixed rate to floating rate. Therefore changes in interest rates will cause fluctuations in future cash flows of the financial debentures payable.

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

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

Financial instruments	Effective interest rate (%)	
	December 31, 2007	December 31, 2008
Available-for-sale financial assets		
Bonds	1.60021~6.82519	1.4922~6.7847
Overseas financial instruments	5.7879	2.1918
Held-to-maturity financial assets		
Bonds	1.81182~6.96142	2.0981~6.9650
Overseas financial instruments	3.45~5.88	1.34
Investments in debt securities with no active market		
Preferred stocks	5	5
Certificates of deposit	1.88~3.00	1.02~2.359
Overseas financial instruments	0~7.2425	0~6.014
Financial debentures payable	2~5.593	2~5.593

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i. Fair value hedge

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

Hedged item	Derivative designated as hedging instruments	Hedging instruments			
		Financial assets (liabilities) fair value			
		December 31, 2007		December 31, 2008	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Financial debentures payable	Interest rate swap	\$53,503	\$1,650	\$2,488,654	\$75,966

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

D. Cathay Century

a. Information of fair value

Item	December 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial instruments:				
<u>Assets</u>				
Cash and Cash equivalents	\$2,396,187	\$2,396,187	\$73,888	\$73,888
Financial assets at fair value through profit or loss - current				
Available-for-sale financial assets - current	717,239	717,239	22,117	22,117
Held-to-maturity financial assets-current	3,154,483	3,154,483	97,271	97,271
Financial assets carried at cost-current	220,400	220,400	6,796	6,796
Investments in debt securities with no active market-current	24,000	24,000	740	740
Receivables	125,889	125,889	3,882	3,882
Prepaid reinsurance premiums ceded	2,056,762	2,056,762	63,421	63,421
	1,225,482	1,225,482	37,788	37,788

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Item	December 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments:</u>				
<u>Assets</u>				
Claims recoverable from reinsurers	\$1,264,391	\$1,264,391	\$38,988	\$38,988
Due from reinsurers and ceding companies	53,653	53,653	1,654	1,654
Account receivable-reinsurance	41,628	41,628	1,284	1,284
Secured loans	2,241,869	2,241,869	69,129	69,129
Held-to-maturity financial assets- noncurrent	4,022,649	4,022,649	124,041	124,041
Financial assets carried at cost-noncurrent	36,000	36,000	1,110	1,110
Investments in debt securities with no active market – noncurrent	101,733	101,733	3,137	3,137
Investments under equity method	432,192	432,192	13,327	13,327
Guarantee deposits paid	442,551	442,551	13,646	13,646
<u>Liabilities</u>				
Claims outstanding	1,909	1,909	59	59
Due to reinsurers and ceding companies	377,353	377,353	11,636	11,636
Account payable-reinsurance	870,741	870,741	26,850	26,850
Operating and liabilities reserve	13,073,564	13,073,564	403,132	403,132
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Options Contract	41	41	1	1
Derivative financial assets for hedging				
IRS	374	374	12	12
<u>Liabilities</u>				
Financial liabilities at fair value through Profit or loss-current				
Foreign exchange SWAP	41,437	41,437	1,278	1,278

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Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and Cash equivalents	\$3,567,735	\$3,567,735	\$108,905	\$108,905
Financial assets at fair value through profit or loss - current	218,766	218,766	6,678	6,678
Available-for-sale financial assets - current	2,983,818	2,983,818	91,081	91,081
Held-to-maturity financial assets - current	310,080	310,080	9,465	9,465
Investments in debt securities with no active market - current	100,131	100,131	3,057	3,057
Receivables	2,164,340	2,164,340	66,066	66,066
Prepaid reinsurance premiums ceded	1,409,385	1,409,385	43,021	43,021
Claims recoverable from reinsurers	1,245,730	1,245,730	38,026	38,026
Due from reinsurers and ceding companies	207,042	207,042	6,320	6,320
Account receivable - reinsurance	26,554	26,554	811	811
Secured loans	1,499,614	1,499,614	45,776	45,776
Held-to-maturity financial assets - noncurrent	3,261,547	3,261,547	99,559	99,559
Financial assets carried at cost-noncurrent	25,500	25,500	778	778
Investments under equity method	1,285,997	1,285,997	39,255	39,255
Guarantee deposits paid	570,993	570,993	17,430	17,430
<u>Liabilities</u>				
Claims outstanding	15,209	15,209	464	464
Due to reinsurers and ceding companies	458,211	458,211	13,987	13,987
Account payable - reinsurance	838,615	838,615	25,599	25,599
Operating and liabilities reserve	14,177,931	14,177,931	432,782	432,782
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Derivative financial assets for hedging				
IRS	41,005	41,005	1,252	1,252
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Foreign exchange SWAP	66,908	66,908	2,042	2,042

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- b. The methods and assumptions used to estimate the fair values of the financial instruments are as follows:
- (a) The fair value of Cathay Century's short-term financial instruments approximates carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash, cash equivalents, receivables and payables, prepaid reinsurance premiums ceded, claims recoverable from reinsurers, due from reinsurers and ceding companies, secured loans, claims outstanding, due to reinsurers and ceding companies, operating and liability reserve.
 - (b) The fair value of the guarantee deposits paid and guarantee deposits received approximates the carrying amount.
 - (c) Quoted market prices, if available, are used to determine the fair value of held-to-maturity financial assets. If no quoted market prices exist for Cathay Century's held-to-maturity financial assets, the fair value of financial assets is derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price which are available to Cathay Century. Cathay Century uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.
 - (d) The fair value of Cathay Century's current and noncurrent financial asset or liabilities is based on market prices at the reporting date. When market prices are not available, their fair values are estimated based on their carrying amounts and any other relevant financial information.
- c. The fair values of financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

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Item	December 31, 2007			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current	\$717,239	\$22,117	\$-	\$-
Available-for-sale financial assets-current	3,154,483	97,271	-	-
Held to-maturity financial asset-current	-	-	220,400	6,796
Financial assets carried at cost-current	-	-	24,000	740
Investment in debt securities with no active market-current	-	-	125,889	3,882
Held-to-maturity financial assets-noncurrent	-	-	4,022,649	124,041
Financial assets carried at cost-noncurrent	-	-	36,000	1,110
Investment in debt securities with no active market-noncurrent	-	-	101,733	3,137
Investments under equity method	-	-	432,192	13,327
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Option	41	1	-	-
Derivative financial assets for hedging-current				
IRS	374	12	-	-
<u>Liabilities</u>				
Financial liability at fair value through profit or loss-current				
Foreign exchange SWAP	41,437	1,278	-	-

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Item	December 31, 2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current	\$218,766	\$6,678	\$-	\$-
Available-for-sale financial assets-current	2,983,818	91,081	-	-
Held-to-maturity financial assets-current	-	-	310,080	9,465
Investment in debt securities with no active market-current	-	-	100,131	3,057
Held-to-maturity financial assets-noncurrent	-	-	3,261,547	99,559
Financial assets carried at cost-noncurrent	-	-	25,500	778
Investments under equity method	-	-	1,285,997	39,255
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Derivative financial assets for hedging-current				
IRS	41,005	1,252	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss-current				
Foreign exchange SWAP	66,908	2,042	-	-

d. Information on financial risk

(a) Interest rate risk

The following table summarizes the maturities of Cathay Century's financial instruments at December 31, 2007 and 2008:

Fixed interest rate

December 31, 2007

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Held-to-maturity financial assets	\$220,400	\$6,796	\$846,449	\$26,101	\$-	\$-	\$-	\$-
Investments in debt securities								
with no active market	125,889	3,882	101,733	3,137	-	-	-	-

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Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Held-to-maturity financial assets	\$618,948	\$19,086	\$2,557,252	\$78,854	\$4,243,049	\$130,837
Investments in debt securities						
with no active market	-	-	-	-	227,622	7,019

December 31, 2008

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Held-to-maturity financial assets	\$310,080	\$9,465	\$-	\$-	\$-	\$-	\$361,346	\$11,030
Investments in debt securities								
with no active market	100,131	3,057	-	-	-	-	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Held-to-maturity financial assets	\$239,536	\$7,312	\$2,660,665	\$81,217	\$3,571,627	\$109,024
Investments in debt securities						
with no active market	-	-	-	-	100,131	3,057

(b) Credit risk

Cathay Century's exposure to credit risk is minimal.

e. Hedging activities

Fair value hedges

Cathay Century's overseas bonds investments are exposed to potentially significant changes in fair value caused by fluctuations in foreign exchange rates. Therefore Cathay Century has purchased foreign currency contract for hedging purposes.

The following table summarizes the terms of Cathay Century's foreign exchange swap for overseas bonds hedging at December 31, 2008:

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Hedged item	Financial instruments of designated as hedging instruments	Designated as hedging instruments			
		Fair value			
		December 31, 2007		December 31, 2008	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Overseas bonds	Foreign exchange SWAP	\$(41,437)	\$(1,278)	\$(66,908)	\$(2,042)

f. Cash flow hedges-IRS

The following table summarizes the terms of Cathay Century's interest rate swap for bonds hedging at December 31, 2008:

Cash flow hedges-IRS

① December 31, 2008

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$200,000	\$6,105	2.65%	Each quarter	2014/9/30
200,000	6,105	2.40%	Each quarter	2012/9/28
200,000	6,105	2.785%	Each quarter	2015/4/30

The terms of interest rate swap agreements are established based on the terms of the bonds being hedged.

Cathay Century's interest rate swap agreements for cash flow hedges have passed the effectiveness testing. Unrealized loss on the interest rate swap agreements were recognized in equity in the amount of NT\$374 (US\$12) thousands as of December 31, 2007. Unrealized loss on the interest rate swap agreements were recognized in equity in the amount of NT\$41,005 (US\$1,252) thousands as of December 31, 2008.

g. Financial risk management objectives policies

Cathay Century's primary financial instruments other than derivatives consist of cash and cash equivalents, current and noncurrent investments. The main purpose of holding these financial instruments is to manage cash flow. Cathay Century has other financial assets and liabilities such as notes receivable, due to and from reinsurers and ceding companies, reinsurance account, receivable and payable and secured loans, etc. arising from its ordinary course of business.

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Cathay Century also enters into derivative transactions, primarily including futures, option contracts and forward currency contracts. The purpose is to manage Cathay Century's exposure to the stock price fluctuation, foreign currency risks and interest rate risk arising from investment activities. Cathay Century does not conduct derivative transactions based on trading purpose.

The primary risks involved in these derivative transactions are market risk, credit risk, operational risk and liquidity risk. The risk management policies approved by the board of directors are as follows:

(a) Market Risk

Market risk is the exposure to potential loss arising from adverse movements in market value of a portfolio, including interest rate risk, stock value risk and foreign currency risk, etc. Cathay Century conducts analysis and assessments of the investment targets before any investment decisions are made. In addition, VaR model in connection with atmosphere simulation methods, stress test methods, Position Limit, VaR Limit and Loss Limit are used to effectively manage the market risk of Cathay Century's financial assets

As a result of significant overseas designated purpose pecuniary trust funds, Cathay Century's balance sheet can be affected significantly by the fluctuation of the US\$/NT\$ exchange rates. Cathay Century utilizes forward currency contracts to hedge this exposure.

Cathay Century also has foreign currency exposures arising from transactions not denominated in functional currency. Such exposures arise from reinsurance transactions. These transactions with foreign reinsurance companies are usually settled on time and are of short durations; as such the fluctuation of exchange rate is not significant. Thus Cathay Century did not seek to hedge this exposure.

(b) Credit risk

Cathay Century only conducts business with recognized and creditworthy third parties. Customers are subject to credit verification procedures, and the collection of premium receivable and notes receivable are subsequently assessed. In addition, once the credit of the third party is impaired, Cathay Century will freeze the related contracts until the credit of the third party recovers. Thus Cathay Century has minimal bad debts.

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Cathay Century maintains a strict policy to evaluate customers' credit ratings when providing loan commitments. Customers are required to provide appropriate collateral for the related loans, and Cathay Century retains the legal right to foreclose on or liquidate the collateral.

The counterparties for Cathay Century's other financial assets (including cash and cash equivalents, current or noncurrent investments) are all reputable domestic or international financial institutions; therefore the credit risk is minimal.

(c) Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal controls, employee fraud or misconduct and management negligence. To mitigate the operational risk, Cathay Century has adopted and implemented the internal control regulations and procedures. Cathay Century has also commenced to develop the information systems to accommodate the aforementioned policies.

(d) Liquidity risk

Cathay Century's exposure to liquidity risk is minimal.

E. Cathay Securities

a. Information of fair value

Item	December 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$230,455	\$230,455	\$7,106	\$7,106
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	540,791	540,791	16,676	16,676
Operating securities – net	1,090,181	1,090,181	33,616	33,616
Receivable amount for margin loans	1,053,680	1,053,680	32,491	32,491
Receivables – net	18,446	18,446	569	569
Investments under equity method	719,500	719,500	22,186	22,186
Available-for-sale financial assets – noncurrent	18	18	1	1
Operating deposits	230,097	230,097	7,095	7,095
Settlement and clearance funds	50,550	50,550	1,559	1,559
Guarantee deposits paid	102,251	102,251	3,153	3,153

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Item	December 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Securities financing guarantee deposits-in	\$35,828	\$35,828	\$1,105	\$1,105
Deposit payable for securities financing	39,545	39,545	1,219	1,219
Payables	34,121	34,121	1,052	1,052
Guarantee deposits in	141	141	4	4
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Margin for futures trading – own funds	221,839	221,839	6,840	6,840
Derivative financial instrument assets-Gre Tai (over-the-counter)	640	640	20	20
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	130,200	130,200	4,015	4,015
Repurchase of issued call (put) warrants	(119,436)	(119,436)	(3,683)	(3,683)
Derivative financial instrument liabilities -GreTai (over-the-counter)	413	413	13	13
Other financial liabilities-current	158,821	158,821	4,897	4,897
Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$202,801	\$202,801	\$6,190	\$6,190
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	730,398	730,398	22,296	22,296
Operating securities – net	1,235,773	1,235,773	37,722	37,722

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Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Receivable amount for margin loans	\$392,867	\$392,867	\$11,992	\$11,992
Securities refinancing margin deposits	1,305	1,305	40	40
Receivables – net	58,983	58,983	1,801	1,801
Restricted assets – current	83,000	83,000	2,534	2,534
Available-for-sale financial assets-current	201,770	201,770	6,159	6,159
Investments under equity method	737,780	737,780	22,519	22,519
Available-for-sale financial assets – noncurrent	18	18	-	-
Operating deposits	230,098	230,098	7,024	7,024
Settlement and clearance funds	51,519	51,519	1,572	1,572
Guarantee deposits paid	29,251	29,251	893	893
<u>Liabilities</u>				
Securities financing guarantee deposits-in	40,694	40,694	1,242	1,242
Deposit payable for securities financing	44,767	44,767	1,367	1,367
Payables	49,565	49,565	1,513	1,513
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Call options-futures	99	99	3	3
Margin for futures trading – own funds	241,319	241,319	7,366	7,366
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	714,272	714,272	21,803	21,803
Repurchase of issued call (put) warrants	(684,071)	(684,071)	(20,881)	(20,881)
Put options-futures	66	66	1	1
Derivative financial instrument liabilities -GreTai (over-the-counter)	(1,391)	(1,391)	(42)	(42)
Other financial liabilities – current	101,788	101,788	3,107	3,107

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- b. Methods and assumptions for estimating the fair value of the financial instruments are as follows:
- (a) Short-term financial instruments are stated at their carrying amounts on the balance sheet date. Because the maturity date of these instruments is very close to the balance sheet date, it is reasonable that their carrying amounts will approximate their fair values. This assumption is adopted for the following accounts: cash and cash equivalents, receivable amount for margin loans, securities refinancing margin deposits, receivables, restricted assets, operating deposits, settlement and clearance funds, guarantee deposits paid, securities financing guarantee deposits in, deposit payable for securities financing, payables and guarantee deposits-in.
 - (b) The fair value of available-for-sale financial assets – noncurrent are determined based on quoted market prices, if available. If quoted market price does not exist, the carrying amount on the balance sheet date is used to estimate the fair value.
 - (c) If no quoted market prices exist for Cathay Securities' long-term investments accounted for under the equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.
 - (d) If quoted market prices on the open market exist for the financial assets and liabilities, then the quoted market prices are regarded as their fair values. If quoted market prices do not exist then Cathay Securities determine the fair value of the financial asset or liability using pricing models. A pricing model incorporates all factors that market participants would consider in setting a price..

The fair values of financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Item	December 31, 2007			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	\$540,791	\$16,676	\$-	\$-
Operating securities – net	1,090,181	33,616	-	-

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Item	December 31, 2007			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Derivative financial instrument</u>				
<u>Assets</u>				
Margin for futures trading – own funds	\$221,839	\$6,840	\$-	\$-
Derivative financial instrument assets-Gre Tai (over-the counter)	-	-	640	20
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	130,200	4,015	-	-
Repurchase of issued call (put) warrants	(119,436)	(3,683)	-	-
Derivative financial instrument liabilities-GreTai (over-the-counter)	-	-	413	13
Other financial liabilities – current	-	-	158,821	4,897
Item	December 31, 2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	\$730,398	\$22,296	\$-	\$-
Operating securities – net	1,235,773	37,722	-	-
Available-for-sales financial assets-current	201,770	6,159	-	-

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Item	December 31, 2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Derivative financial instrument</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Call options-futures	\$99	\$3	\$-	\$-
Margin for futures trading – own funds	241,319	7,366	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants				
	714,272	21,803	-	-
Repurchase of issued call (put) warrants				
	(684,071)	(20,881)	-	-
Put options-futures	66	1	-	-
Derivative financial instrument liabilities-GreTai (over-the-counter)				
	-	-	(1,391)	(42)
Other financial liabilities – current	-	-	110,788	3,107

The above derivative financial instrument assets (liabilities)-GreTai (over-the-counter) and other financial liabilities-current are valued using “Monte Carlo Simulations” and “Interest Method”.

c. Financial risk management objectives and policies

(a) Market risk

Cathay Securities invests in equity securities that have active public market prices. Therefore when market conditions become adverse; Cathay Securities is exposed to market risk as prices fluctuate. Although Cathay Securities controls and quantifies its market risk by establishing stop-loss limits and measuring Value-at-Risk, evaluating its risk utilizing historical prices and controls over its overall investment portfolio, it is still exposed to some market risk.

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(b) Credit risk

In accordance with Cathay Securities' policy, credit evaluations are required for all credit transactions. Credit limits are established based on customers' credit ratings. Margin ratios are also evaluated continuously to control default risk.

The counterparties to Cathay Securities' other financial assets (including cash and cash equivalents and all other current and non current investments) are all creditworthy and well-known financial institutions in the ROC. As a result, counterparty credit risk is relatively low.

(c) Liquidity risk

Cathay Securities believes its working capital is sufficient for its operations and that the risk of contract defaults resulting from a lack of capital is low.

The financial assets held by Cathay Securities all have active markets and can be sold at prices approximating fair values. As the result, Cathay Securities believes there is no significant cash flow risk.

(d) Cash flow risk from interest rate fluctuations

Cathay Securities currently has no exposure to floating interest rates related to financial assets or liabilities and thus Cathay Securities believes there is no significant cash flow risk from interest rate fluctuations.

Cathay Securities also held Real Estate Asset Trust (REAT) beneficiary certificates. The value of these certificates may decline if interest rates increase and thus they are subject to valuation risk. However, the term of the certificates is 5 years, and as a result, the risk is relatively lower. In addition, Cathay Securities will take appropriate actions with respect to these certificates based on interest rate fluctuations

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d. Derivatives

(a) Issuance call warrants

Ⓐ Nominal principal or contract amount and credit risk

Financial instruments	December 31, 2007		December 31, 2008	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>For trading purposes</u>				
Issuance of call warrants	NT\$377,020 <u>(US\$11,625)</u>	NT\$- <u>(US\$-)</u>	NT\$2,365,135 <u>(US\$72,196)</u>	NT\$- <u>(US\$-)</u>

Cathay Securities collects premiums from investors when issuing call warrants.

Therefore, Cathay Securities believes it does not have any credit risk with respect of these investors.

Ⓑ Market price risk

Market risk for call warrants issued arises from changes in prices of the underlying securities. Although market risk can be avoided to a certain extent by adjusting Cathay Securities warrant and hedging positions, some market risk still exist.

Ⓒ Liquidity risk, cash flow risk and future cash requirements

When issuing call warrants, Cathay Securities utilizes existing holdings of underlying securities and premiums received in advance to establish hedging positions. Further, because underlying securities must meet specific regulatory requirements with respect to market price and shareholders diversification, Cathay Securities believes they can be easily sold at reasonable prices and that liquidity risk is low. Risk may arise from the need for capital when adjusting hedging position in response to prices changes of underlying securities. However, assuming strong market liquidity, Cathay Securities believes cash flow risk is low.

The call warrants issued by Cathay Securities typically have contract periods of six to eight months starting from the date when the warrants are listed (OTC). Except for cash required for the related hedging transactions, there are no other cash requirements.

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④ Types, purposes, and strategies for financial derivatives

Cathay Securities hedging positions are not held for trading purposes but instead, are held to minimize the risk of investors exercising warrants. Cathay Securities hedging strategy is focused on avoiding market price risks. The value of the underlying securities for hedging are highly correlated to the fair value of the issued call warrants. Cathay Securities hedging positions are evaluated and adjusted periodically.

⑤ Financial statement presentation of derivative financial instruments

As of December 31, 2007 and 2008, disclosure of the issuance of call (put) warrants on the balance sheets and statements of income are summarized as follows:

Balance sheet

	December 31, 2007		December 31, 2008	
	Financial liabilities at fair value through profit or loss-current (NT\$)	Financial liabilities at fair value through profit or loss-current (US\$)	Financial liabilities at fair value through profit or loss-current (NT\$)	Financial liabilities at fair value through profit or loss-current (US\$)
Liabilities for issuance of call (put) warrants	\$130,200	\$4,015	\$714,272	\$21,803
Repurchase of issued call (put) warrants	(119,436)	(3,683)	(684,071)	(20,881)
Total	\$10,764	\$332	\$30,201	\$922

Statement of income

	For the year ended December 31, 2007		For the year ended December 31, 2008		Comments
	Profit from issuing call (put) warrants (NT\$)	Profit from issuing call (put) warrants (US\$)	Profit from issuing call (put) warrants (NT\$)	Profit from issuing call (put) warrants (US\$)	
Liabilities for issuance of call (put) warrants	\$239,900	\$7,398	\$1,404,038	\$42,858	Fair value method
Repurchase of issued call (put) warrants					
- Loss on disposal	(93,512)	(2,884)	(2,379,172)	(72,624)	
- Loss from valuation	(154,440)	(4,762)	(586,233)	(17,895)	Fair value method
Gain from expiration of warrants issued	24,420	753	1,670,217	50,984	
Trading securities-hedging					
- Loss on disposal	(13,553)	(418)	(89,546)	(2,733)	
- Gain (loss) from valuation	2,307	71	(5,750)	(176)	Fair value method
Total	\$5,122	\$158	\$13,554	\$414	

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(b) Structured notes transactions

Ⓐ Nominal principal or contract amount and credit risk

Financial instruments	December 31, 2007		December 31, 2008	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>For trading purposes</u>				
Principal guaranteed notes	NT\$149,300 (US\$4,604)	NT\$- (US\$-)	MT\$103,800 (US\$3,168)	NT\$- (US\$-)
Equity-linked notes	NT\$10,000 (US\$308)	NT\$- (US\$-)	NT\$- (US\$-)	NT\$- (US\$-)

Cathay Securities' is exposed to credit risk arising from breach of contract by counterparties. Cathay Securities believes it is not exposed to credit risk because contract amounts are collected in advance of structured notes being issued.

Ⓑ Market risk

Cathay Securities enters into structured notes transactions in which it receives proceeds from investors on the contract date and makes its investments pursuant to the contract. Cathay Securities invests in linked and fixed income assets that are subject to regulations and open market pricing. Since hedging positions for derivative instruments and stop-loss points are established, Cathay Securities believes it can limit its losses to within an expected range and, as a result, it is not exposed to significant market risk.

Ⓒ Risk from liquidity, cash flow and future cash requirements

In structured notes transactions, Cathay Securities receives the contract amount from investors on the contract date and makes its investments pursuant to the contract. In order to provide investors with the flexibility of early redemption, Cathay Securities considers liquidity risk when investing in fixed income securities. As a result, Cathay Securities does not expect any significant cash requirements at expiration of the contract.

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④ Types, purposes, and strategies for financial derivatives

The structured notes transactions of Cathay Securities can be divided into principal guaranteed notes and equity-linked notes.

Principal guaranteed notes transactions involve receiving proceeds from investors on the contract date and providing them with a guaranteed payment and returns, if any, of linked assets.

Equity-linked notes transactions involve receiving proceeds from investors, investing in fixed-income products and selling options that settle in cash on the expiration date. Proceeds received by investors consist of returns from the fixed income products and value of the options at expiration.

(c) Financial statement presentation of derivative financial instruments

As of December 31, 2007 and 2008, the disclosure of structured notes transactions on the balance sheets and statements of income are summarized as follows:

Balance sheet

	December 31, 2007		December 31, 2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Derivative financial instrument assets – GreTai (over-the-counter)				
Structured notes transactions	\$640	\$20	\$-	\$-
Derivative financial instrument liabilities – GreTai (over-the-counter)				
Structured notes transactions	413	13	(1,391)	(42)
Other financial liabilities – current				
Principal of structured notes	158,821	4,897	101,788	3,107

Statement of income

	For the year ended December 31, 2007		For the year ended December 31, 2008		Comments
	(NT\$)	(US\$)	(NT\$)	(US\$)	
(Loss) gain from structured notes	\$(4,902)	\$(151)	\$1,242	\$38	Fair value method
Trading securities-hedging					
-Gain (loss) on disposal	4,601	142	(6,300)	(193)	
-(Loss) gain from valuation	(791)	(25)	214	7	Fair value method
Total	<u>\$(1,092)</u>	<u>\$(34)</u>	<u>\$ (4,844)</u>	<u>\$(148)</u>	

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e. Futures and options transactions

As of December 31, 2007, the Cathay Securities' futures and options transactions were excised as of December 31, 2008, the Cathay Securities' unexercised futures and options were as follows:

December 31, 2008

Item	Nature of Transaction	Unexercised Futures /options		Contract amount/ payment receipt of premium		Fair value	
		Buy/Sell	Units	NT\$	US\$	NT\$	US\$
Futures	STW	Sell	5	\$(2,836)	\$(87)	\$2,870	\$88
Options	TXO-Call	Buy	22	3	-	-	-
Options	TXO-Put	Buy	41	139	5	99	3
Options	TXO-Call	Sell	609	(73)	(2)	34	1
Options	TXO-Put	Sell	42	(73)	(2)	32	-

(a) Nominal principal or contract amount and credit risk

Financial instruments	December 31, 2008	
	Nominal principal/ contract amount	Credit risk
<u>For trading purposes</u>		
STW futures	\$2,836(US\$87)	\$-
TXO	\$288(US\$9)	\$-

Cathay Securities believes it has no significant credit risk exposure since it has entered into futures trading transactions through the futures agency and therefore the risk of default is low.

(b) Market risk

Cathay Securities market risk from futures and options transactions arises from the purchase and sale of futures and options and the volatility of indexes. Since the fair values of futures and options are available and stop-loss points are established, Cathay Securities believes it can limit its losses to within an expected range. However some market risk still exists.

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(c) Risk from liquidity, cash flow, and future cash requirements

Cathay Securities unexercised options could all be liquidated at reasonable prices in the market. As a result, Cathay Securities believes liquidity risk is low.

Trading in Taiwan stock index futures requires an initial margin and additional margin depending on the daily valuation of open positions. In the event additional margin is required, Cathay Securities has sufficient working capital to meet its requirements, and hence Cathay Securities believes funding risk and cash flow risk are low. With respect to Cathay Securities trading in options, prior to any transaction Cathay Securities pays or receives option premium. If Cathay Securities sells call options and the counterparty exercises its option, Cathay Securities has sufficient working capital to cover the exercise and hence Cathay Securities believes funding risk and cash flow risk are low.

(d) Types, purposes, and strategies for financial derivatives

Cathay Securities purpose in trading futures and options is to increase the scope of its investment activities and improve its capital efficiency.

(e) Financial statement presentation of derivative financial instruments

The margin and premium resulting from trading are reflected in “financial assets at fair value through profit or loss – current (margin for futures trading – own funds) on the balance sheet. For the year ended December 31, 2007 and 2008, the related gain (loss) of futures and options on the statement of income were as follows:

Item	For the year ended December 31, 2007		For the year ended December 31, 2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Gain from derivative financial instruments - futures				
Gain on futures contracts - realized	\$14,959	\$461	\$9,530	\$291
Gain on futures contracts - unrealized	967	30	1,014	31
Gain from options transactions - realized	5,811	179	8,953	273
Gain from options transactions - unrealized	1,448	45	1,973	60
Total	<u>\$23,185</u>	<u>\$715</u>	<u>\$21,470</u>	<u>\$655</u>

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Item	For the year ended December 31, 2007		For the year ended December 31, 2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Loss from derivative financial instruments - futures				
Loss on futures contracts - realized	\$6,332	\$195	\$9,672	\$295
Loss on futures contracts - unrealized	967	30	1,048	32
Loss from options transactions - realized	1,416	44	3,786	116
Loss from options transactions - unrealized	1,448	44	1,936	59
Total	<u>\$10,163</u>	<u>\$313</u>	<u>\$16,442</u>	<u>\$502</u>

F. Cathay Pacific Venture

a. Information of fair value

Item	December 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash in bank	\$28,784	\$28,784	\$888	\$888
Available-for-sale financial assets-current	411,763	411,763	12,697	12,697
Available-for-sale financial assets-noncurrent	226,013	226,013	6,969	6,969
Financial assets carried at cost	62,882	62,882	1,939	1,939
<u>Liabilities</u>				
Other payables (contain transactions with related parties)	2,571	2,571	79	79

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Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash in bank	\$56,242	\$56,242	\$1,717	\$1,717
Available-for-sale financial assets-current	320,545	320,545	9,785	9,785
Other receivables (contain transactions with related parties)	435	435	13	13
Available-for-sale financial assets-noncurrent	55,922	55,922	1,707	1,707
Investment in debt securities with no active market	34,000	34,000	1,038	1,038
Financial assets carried at cost	42,967	42,967	1,311	1,311
<u>Liabilities</u>				
Other payables	201	201	6	6

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

(a) The fair value of Cathay Pacific Venture short-term financial instruments is assumed to approximate the carrying amount at reporting date due to the short maturity of those instruments. This assumption is applied to cash and cash equivalents, other receivables (contain transactions with related parties), other current assets and accrued expenses.

(b) Quoted market prices, if available, are used to determine the fair values of available-for-sale financial assets.

(c) Financial assets carried at cost are unlisted stock. Since these stocks have no quoted market prices in an active market and their fair value cannot be reliably measured, their fair values are not disclosed.

c. The following table summarizes the basis of determining fair value of financial assets and liabilities as of December 31, 2007 and 2008:

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Item	December 31, 2007			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets-current	\$411,763	\$12,697	\$-	\$-
Available-for-sale financial assets-noncurrent	226,013	6,969	-	-
Financial assets carried at cost	-	-	62,882	1,939
Item	December 31, 2008			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets-current	\$320,545	\$9,785	\$-	\$-
Available-for-sale financial assets-noncurrent	55,922	1,707	-	-
Investment in debt securities with no active market	-	-	34,000	1,038
Financial assets carried at cost	-	-	42,967	1,312

d. Information on financial risk

(a) Market risk

Market risk is the exposure to potential loss arising from adverse movements of market price, such as interest rates or foreign exchange rates. Cathay Pacific assesses the impact of market risk on financial assets and liabilities to be limited.

(b) Credit risk

A credit risk is the risk of loss arising from counterparty or a debtor defaulting on their contractual obligations. The level of exposure depends on several factors including concentrations of credit risk, components of credit risk, the price of contract and other receivable of financial instruments. Cathay Pacific believes the maximum credit exposure amount of financial instruments is equal to their carrying values.

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share date and unless otherwise stated)**

(c) Liquidity risk

Cathay Pacific has sufficient working capital for its operation therefore there is no liquidity risk of defaulting on its contractual obligations due to insufficient working capital. In addition, except for the financial assets carried at cost (unquoted equity securities) which may be exposed to significant liquidity risks due to lack of active market, all other stocks Cathay Pacific held are able to be disposed rapidly at prices close to fair values.

G. Cathay Futures

a. Information of fair value

Item	December 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$226,605	\$226,605	\$6,988	\$6,988
Customers' margin accounts	1,165,984	1,165,984	35,954	35,954
Futures trading deposits receivable	448	448	14	14
Accounts receivable-related parties	36	36	1	1
Other receivable (contain transactions with related parties)	4,708	4,708	145	145
Available-for-sale financial assets-noncurrent	30,500	30,500	940	940
Operating deposits	60,000	60,000	1,850	1,850
Settlement and clearance funds	66,000	66,000	2,035	2,035
Guarantee deposits paid	1,279	1,279	39	39
<u>Liabilities</u>				
Futures customers' equity	1,165,684	1,165,684	35,945	35,945
Payables (contain transactions with related parties)	2,584	2,584	80	80
Other payable (contain transactions with related parties)	1,535	1,535	47	47

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Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$258,103	\$258,103	\$7,879	\$7,879
Customers' margin accounts	1,814,831	1,814,831	55,398	55,398
Futures trading deposits receivable	264	264	8	8
Accounts receivable-related parties	157	157	5	5
Other receivable (contain transactions with related parties)	5,988	5,988	183	183
Available-for-sale financial assets-noncurrent	30,500	30,500	931	931
Operating deposits	60,000	60,000	1,832	1,832
Settlement and clearance funds	69,000	69,000	2,106	2,106
Guarantee deposits paid	1,279	1,279	39	39
<u>Liabilities</u>				
Futures customers' equity	1,814,340	1,814,340	55,383	55,383
Payables (contain transactions with related parties)	5,729	5,729	175	175
Other payable (contain transactions with related parties)	3,780	3,780	115	115

b. Methods and assumptions applied in estimating the fair value of financial instruments are as follows:

(a) The carrying amounts of the financial instruments such as cash and cash equivalents, customers' margin accounts, futures trading deposits receivables, accounts receivable-related parties, other receivables, operation deposits, settlement and clearance funds, guarantee deposits paid, futures customers' equity, payables, advance receipts under custody and other payables, approximate their fair values due to the short maturities of these instruments.

(b) The fair value of available-for-sale financial assets-noncurrent is valued at market price or other financial information when available.

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(c) The fair value of financial assets and financial liabilities is determined using pricing models.

c. The fair value of Cathay Futures financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Item	December 31, 2007			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets-noncurrent	\$30,500	\$940	\$-	\$-

Item	December 31, 2008			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets-non-current	\$30,500	\$931	\$-	\$-

d. Information on financial risk

(a) Market risk - The fair values of the shares on listed companies or derivative instruments held by Cathay Futures will fluctuate under the influence of the related stock market factors.

(b) Credit risk – Appropriate credit evaluation processes and continuous monitor of credit-lines are in place for all customers of the brokerage department. In addition, all transactions conducted by proprietary trading department go through Taiwan Futures Exchange and therefore no significant credit risk is expected.

(c) Liquidity risk and cash flow risk – Cathay Futures has sufficient working capital for its operation and there is no liquidity risk of defaulting on its contractual obligations due to insufficient working capital. In addition, except for the financial assets carried at cost which are exposed to significant liquidity risks due to lack of active market, all other stocks Cathay Futures held are able to be disposed rapidly at prices close to fair values.

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H. Symphox Information

a. Information of fair value

Item	December 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$312,232	\$312,232	\$9,628	\$9,628
Financial assets at fair value through profit or loss-current	141,993	141,993	4,378	4,378
Receivables (contain transactions with related parties)	84,842	84,842	2,616	2,616
Guarantee deposits paid	7,518	7,518	232	232
<u>Liabilities</u>				
Payables (contain transactions with related parties)	106,658	106,658	3,289	3,289
Guarantee deposits in	79	79	2	2
Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$473,540	\$473,540	\$14,455	\$14,455
Financial assets at fair value through profit or loss-current	69,673	69,673	2,127	2,127
Receivables (contain transactions with related parties)	130,016	130,016	3,969	3,969
Guarantee deposits paid	10,483	10,483	320	320
<u>Liabilities</u>				
Payables (contain transactions with related parties)	120,646	120,646	3,683	3,683
Guarantee deposits in	80	80	2	2

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

(a) The fair value of Symphox Information short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, financial assets at fair value through profit or loss-current, receivables and payables.

(b) The fair value of the guarantee deposits paid and guarantee deposits in also approximates the carrying amount.

c. The fair value of Symphox Information financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Item	December 31, 2007			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current	\$141,993	\$4,378	\$-	\$-
Item	December 31, 2008			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)

Non-derivative financial instruments

Assets

Financial assets at fair value through profit or loss-current

\$69,673 \$2,127 \$- \$-

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share date and unless otherwise stated)**

I. Cathay Venture

a. Information of fair value

Item	December 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$473	\$473	\$15	\$15
Financial assets at fair value through profit or loss-current	33,506	33,506	1,033	1,033
Available-for-sale financial assets- current	104,247	104,247	3,215	3,215
Available-for-sale financial assets- noncurrent	292,284	292,284	9,013	9,013
Financial assets carried at cost - noncurrent	1,068,072	1,068,072	32,935	32,935
Investments under equity method	213,386	213,386	6,580	6,580

Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$27,005	\$27,005	\$824	\$824
Financial assets at fair value through profit or loss-current	29,580	29,580	903	903
Available-for-sale financial assets- current	133,089	133,089	4,063	4,063
Available-for-sale financial assets- noncurrent	106,847	106,847	3,262	3,262
Financial assets carried at cost - noncurrent	916,496	916,496	27,976	27,976
Investments under equity method	239,449	239,449	7,309	7,309

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

- (a) The fair value of short-term financial instruments approximates on the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents.

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- (b) When financial assets or liabilities are quoted on an active market, the fair value is the market price. However fair value is estimated using pricing model if an active market does not exist.
- (c) When financial assets are quoted on an active market, the fair value is the market price. However fair value is estimated based on their carrying amount or other relevant financial information if an active market does not exist.
- c. The fair value of the Cathay Venture financial assets and liabilities determined by quoted market price or pricing models are summarized as following:

Item	December 31,							
	2007				2008			
	Based on the quoted market price		Based on pricing models		Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss-current	\$33,506	\$1,033	\$-	\$-	\$29,580	\$903	\$-	\$-
Available-for-sale financial assets-current	104,247	3,215	-	-	133,089	4,063	-	-
Available-for-sale financial assets-noncurrent	292,284	9,013	-	-	106,847	3,262	-	-
Financial assets carried at cost - noncurrent	-	-	1,068,072	32,935	-	-	916,496	27,976
Investment under equity method	-	-	213,386	6,580	-	-	239,449	7,309

d. Information on financial risk

- (a) Market risk – Cathay Venture invests in financial instruments relating to equity securities and the fair value of such investments will move based on fluctuations in the market price. As such there is no market risk.
- (b) Credit risk – Cathay Venture has appropriate credit approval process and transaction limits in place, furthermore it only transacts with creditworthy individual or company. Therefore the credit risk is minimized.

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(c) Liquidity risk – Cathay Venture has sufficient working capital for its operation and there is no liquidity risk of defaulting on its contractual obligations due to insufficient working capital.

(d) Cash flow risk from fluctuations in interest rate – Cathay Venture does not have interest-bearing financial instruments, as such there is no cash flow risk resulting from fluctuations in interest rate.

I. Cathay II Venture

a. Information of fair value

Item	December 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$748	\$748	\$23	\$23
Financial assets at fair value through profit or loss-current	16,125	16,125	497	497
Available-for-sale financial assets- current	90,065	90,065	2,777	2,777
Available-for-sale financial assets- noncurrent	173,586	173,586	5,353	5,353
Financial assets carried at cost-noncurrent	571,972	571,972	17,637	17,637
Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$435	\$435	\$13	\$13
Financial assets at fair value through profit or loss-current	13,785	13,785	421	421
Available-for-sale financial assets- current	58,051	58,051	1,772	1,772
Available-for-sale financial assets- noncurrent	65,844	65,844	2,010	2,010
Financial assets carried at cost-noncurrent	594,523	594,523	18,148	18,148

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

(a) The fair value of Cathay II Venture's short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents.

(b) When financial assets or liabilities are quoted on an active market, the fair value is the market price. However fair value is estimated using pricing model if an active market does not exist.

(c) When financial assets are quoted on an active market, the fair value is the market price. However fair value is estimated based on their carrying amount or other relevant financial information if an active market does not exist.

c. The fair value of the Cathay II Venture financial assets and liabilities determined by quoted market price or pricing models are summarized as following:

Item	December 31,							
	2007				2008			
	Based on the quoted market price		Based on pricing models		Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss-current	\$16,125	\$497	\$-	\$-	\$13,785	\$421	\$-	\$-
Available-for-sale financial assets-current	90,065	2,777	-	-	58,051	1,772	-	-
Available-for-sale financial assets-noncurrent	173,586	5,353	-	-	65,844	2,010	-	-
Financial assets carried at cost-noncurrent	-	-	571,972	17,637	-	-	594,523	18,148

d. Information on financial risk

(a) Market risk – Cathay II Venture invests in financial instruments relating to equity securities and the fair value of such investments will move based on fluctuations in the market price. As such there is no market risk.

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- (b) Credit risk – Cathay II Venture has appropriate credit approval process and transaction limits in place, furthermore it only transacts with creditworthy individual or company. Therefore the credit risk is minimized.
- (c) Liquidity risk – Cathay II Venture has sufficient working capital for its operation and there is no liquidity risk of defaulting on its contractual obligations due to insufficient working capital.
- (d) Cash flow risk from fluctuations in interest rate – Cathay II Venture does not have interest-bearing financial instruments, as such there is no cash flow risk resulting from fluctuations in interest rate.

K. Cathay Life (Shanghai)

a. Information of fair value

Item	December 31,2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,384,576	\$2,384,576	\$73,530	\$73,530
Financial assets at fair value through profit or loss-current	300,253	300,253	9,258	9,258
Available-for-sale financial assets-current	1,126,972	1,126,972	34,751	34,751
Receivables	128,539	128,539	3,964	3,964
Other financial assets-currents	95,936	95,936	2,958	2,958
Available-for-sale financial assets-noncurrent	1,185,491	1,185,491	36,555	36,555
Held-to-maturity financial assets-noncurrent	396,666	396,666	12,231	12,231
Investment in debt securities with no active market-noncurrent	1,563,702	1,563,702	48,218	48,218
Guarantee deposits paid	725,476	725,476	22,371	22,371
<u>Liabilities</u>				
Short-term liabilities	293,159	293,159	9,040	9,040
Payables	97,552	97,552	3,008	3,008
Guarantee deposits in	2,328	2,328	72	72

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Item	December 31,2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,853,823	\$2,853,823	\$87,113	\$87,113
Financial assets at fair value through profit or loss-current	684,563	684,563	20,896	20,896
Available-for-sale financial assets-current	160,633	160,633	4,903	4,903
Receivables	149,145	149,145	4,553	4,553
Available-for-sale financial assets-noncurrent	3,100,496	3,100,496	94,643	94,643
Held-to-maturity financial assets-noncurrent	433,139	433,139	13,222	13,222
Investment in debt securities with no active market-noncurrent	1,571,128	1,571,128	47,959	47,959
Guarantee deposits paid	770,576	770,576	23,522	23,522
<u>Liabilities</u>				
Short-term liabilities	411,777	411,777	12,570	12,570
Payables	421,406	421,406	12,863	12,863
Guarantee deposits in	5,625	5,625	172	172

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

- (a) The fair value of Cathay Life (Shanghai) short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents.
- (b) When financial assets or liabilities are quoted on an active market, the fair value is the market price. However fair value is estimated using pricing model if an active market does not exist. A pricing model incorporates all information that market participants would consider in setting a price which are available to Cathay Life (Shanghai). Cathay Life (Shanghai) uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.

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(c) The fair value of the guarantee deposits paid and guarantee deposits in approximates their carrying amount.

c. The fair value of the Cathay life (Shanghai) financial assets and liabilities determined by market price or pricing models are summarized as following:

Item	December 31,							
	2007				2008			
	Based on the quoted market price		Based on pricing models		Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Cash and cash equivalents	\$2,384,576	\$73,530	\$-	\$-	\$2,853,823	\$87,113	\$-	\$-
Financial assets at fair value								
through profit or loss-current	300,253	9,258	-	-	684,563	20,896	-	-
Available-for-sale financial assets-current	1,126,972	34,751	-	-	160,633	4,903	-	-
Receivables	-	-	128,539	3,964	-	-	149,145	4,553
Other financial assets	95,936	2,958	-	-	-	-	-	-
Available-for-sale financial assets-noncurrent	1,185,491	36,555	-	-	3,100,496	94,643	-	-
Held-to-maturity financial assets-noncurrent	396,666	12,231	-	-	433,139	13,222	-	-
Investment in debt securities with no active market-noncurrent	-	-	1,563,702	48,218	-	-	1,571,128	47,959
<u>Liabilities</u>								
Short-term liabilities	-	-	293,159	9,040	-	-	411,777	12,590
Payables	-	-	97,552	3,008	-	-	421,460	12,863

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L. Cathay Life (Vietnam)

a. Information of fair value

Item	December 31,2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,946,580	\$1,946,580	\$60,024	\$60,024
Item	December 31,2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$419,562	\$419,562	\$12,807	\$12,807
Receivables	74,470	74,470	2,273	2,273
Available-for-sale financial assets-noncurrent	1,690,297	1,690,297	51,596	51,596
Guarantee deposits paid	45,768	45,768	1,397	1,397
<u>Liabilities</u>				
Payables	26,401	26,401	806	806

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

- (a) The fair value of Cathay Life (Vietnam) short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents.

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- (b) When financial assets or liabilities are quoted on an active market, the fair value is the market price. However fair value is estimated using pricing model if an active market does not exist. A pricing model incorporates all information that market participants would consider in setting a price which are available to Cathay Life (Vietnam). Cathay Life (Vietnam) uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.
- (c) The fair value of the guarantee deposits paid approximates their carrying amount.
- c. The fair value of the Cathay Life (Vietnam) financial assets and liabilities determined by market price or pricing models are summarized as following:

Item	December 31,							
	2007				2008			
	Based on the quoted market price		Based on pricing models		Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Cash and cash equivalents	\$1,946,580	\$60,024	\$-	\$-	\$419,562	\$12,807	\$-	\$-
Receivables	-	-	-	-	-	-	74,470	2,273
Available-for-sale financial assets-noncurrent	-	-	-	-	1,690,297	51,596	-	-
<u>Liabilities</u>								
Payables	-	-	-	-	-	-	26,401	806

(4) Discretionary account management for Cathay Life and Cathay Century

Item	December 31, 2007			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$12,463,703	\$384,326	\$12,463,703	\$384,326
Repurchase bonds	7,829,660	241,433	7,829,660	241,433
Cash in banks	719,593	22,189	719,593	22,189
Net other assets less liabilities	14,962	461	14,962	461
Total	\$21,027,918	\$648,409	\$21,027,918	\$648,409

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Item	December 31, 2008			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$3,295,681	\$100,601	\$3,295,681	\$100,601
Repurchase bonds	9,513,910	290,412	9,513,910	290,0412
Cash in banks	390,109	11,908	390,109	11,908
Net other assets less liabilities	849	26	849	26
Total	\$13,200,549	\$402,947	\$13,200,549	\$402,947

As of December 31, 2007 and 2008, Cathay Life and Cathay Century had discretionary account management contracts in the amount of NT\$ 17,850,000 (US\$550,416) thousands, and NT\$ 14,800,000 (US\$451,770) thousands, respectively.

(5) Capital adequacy ratio on a consolidated basis:

A. Capital adequacy ratios

As of December 31, 2007

Item	Ownership interest	Eligible capital		Legal capital	
		(NT\$)	(US\$)	(NT\$)	(US\$)
The Company	100.00%	\$225,852,718	\$6,964,315	\$218,072,750	\$6,724,414
Cathay United Bank	100.00%	88,350,241	2,724,337	63,507,313	1,958,289
Cathay Securities	100.00%	2,877,995	88,745	534,402	16,479
Cathay Life	100.00%	121,644,676	3,750,992	80,571,274	2,484,467
Cathay Century	100.00%	5,355,528	165,141	2,122,236	65,440
Cathay Pacific Venture	100.00%	730,356	22,521	364,700	11,246
Cathay Venture	15.00%	254,568	7,850	128,398	3,959
Cathay II Venture	100.00%	842,784	25,988	426,248	13,144
Cathay Capital Management	100.00%	68,117	2,100	43,640	1,346
Less: Item		(232,004,889)	(7,154,021)	(214,115,082)	(6,602,377)
Subtotal		(A) 213,972,094	6,597,968	(B) 151,655,879	4,676,407
Consolidated capital adequacy ratios			(C)=(A)/(B)		141.09%

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As of December 31, 2008

Item	Ownership interest	Eligible capital		Legal capital	
		(NT\$)	(US\$)	(NT\$)	(US\$)
The Company	100.00%	\$160,131,249	\$4,888,011	\$161,321,562	\$4,924,346
Cathay United Bank	100.00%	91,511,737	2,793,399	66,362,261	2,025,710
Cathay Securities	100.00%	2,875,554	87,776	421,569	12,868
Cathay Life	100.00%	117,616,367	3,590,243	92,584,080	2,826,132
Cathay Century	100.00%	4,022,635	122,791	2,219,664	67,755
Cathay Pacific Venture	100.00%	512,580	15,647	255,055	7,786
Cathay Venture	15.00%	217,376	6,635	109,030	3,328
Cathay II Venture	100.00%	724,522	22,116	366,368	11,183
Cathay Capital Management	100.00%	60,314	1,841	39,428	1,204
Less: Item		(172,010,362)	(5,250,621)	(159,936,489)	(4,882,066)
Subtotal		(A) 205,661,972	6,277,838	(B) 163,742,528	4,998,246
Consolidated capital adequacy ratios			(C)=(A)/(B)		125.60%

B. Eligible capital

As of December 31, 2007

Item	(NT\$)	(US\$)
Common Stock	\$92,770,192	\$2,860,629
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates-qualified as bank-level Tier I Capital	-	-
Preferred Stocks and subordinated financial debenture	-	-
Capital collected in advance	-	-
Capital surplus	81,971,213	2,527,635
Legal reserve	9,245,862	285,102
Special reserve	-	-
Accumulated profit	35,577,963	1,097,069
Equity adjustments	11,138,286	343,456
Less : Goodwill	-	-
Less : Deferred assets	(710,751)	(21,916)
Less : Treasury stock	(4,140,047)	(127,661)
Consolidated eligible capital	225,852,718	6,964,314

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousand of dollars except for share and per share date and unless otherwise stated)

As of December 31, 2008

Item	(NT\$)	(US\$)
Common Stock	\$97,375,372	\$2,972,386
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates-qualified as bank-level Tier I Capital	-	-
Preferred Stocks and subordinated financial debenture	20,000,000	610,501
Capital collected in advance	-	-
Capital surplus	81,971,213	2,502,174
Legal reserve	12,320,672	376,089
Special reserve	-	-
Accumulated profit	7,060,140	215,511
Equity adjustments	(52,233,857)	(1,594,441)
Less : Goodwill	-	-
Less : Deferred assets	(2,222,244)	(67,834)
Less : Treasury stock	(4,140,047)	(126,375)
Consolidated eligible capital	160,131,249	4,888,011

(6) Business or trading behaviors within Subsidiaries:

A. Business or trading behaviors

Please refer Note 26 (business with stakeholders) for further details.

B. Integrate business activities:

By integrating the insurance, securities, banking and other diversified financial institutions, the Company has become a full-functioning financial platform. Through the branches and professional sales representatives across Taiwan, the Company is able to develop its cross-selling marketing strategy and provide a one-stop shopping service for its customers.

C. Cross utilization of information:

With respect to customers' confidentiality, the Company FHC has established related regulations to ensure the safety and confidentiality of customer information.

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousand of dollars except for share and per share date and unless otherwise stated)

D. Locations and business utilities:

The Company has established national presence to provide customers with one-stop services not only in insurance but also in banking and securities services. Since July 2002, The Company has built up four flagship stores of wealth management in Taipei, Taichung and Kaohsiung. In November 2002, the Company upgraded 5 insurance branches into wealth management service locations.

E. Allocation on revenues, costs, expenses, profits and losses:

Revenue, costs, expenses, profits or losses arising from integrate business activities between the subsidiaries are allocated to each subsidiary based on the related business features.

(6) Material contract: None.

(7) Presentation of financial statements:

Certain accounts in the consolidated financial statements for the year ended December 31, 2007 have been reclassified in order to be comparable with those in the consolidated financial statements for the year ended December 31, 2008.

31. Information regarding investment in Mainland China

- (1) On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Life to remit US\$22,850 thousands and US\$27,150 thousands, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life's subsidiary, Cathay Life Insurance Ltd. (Shanghai) has acquired a business license of an enterprise as legal person on December 29, 2004. As of December 31, 2008, Cathay Life's remittances to this company totaled approximately US\$48,330 thousands.
- (2) On October 17, 2007, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay life to remit US\$26,390 thousands as the registered capital to establish a China-based general insurance subsidiary (in form of joint venture with Cathay Century Insurance). On March 6, 2008, MOEAIC authorized Cathay life to increase the remittances from US\$26,390 thousands to US\$28,960 thousands. As of December 31, 2008, Cathay life's remittances to this general insurance company totaled approximately US\$28,140 thousands.

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(Expressed in thousand of dollars except for share and per share date and unless otherwise stated)

On June 30, 2006, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Century to remit US\$28,960 thousands as the registered capital to establish a China-based general insurance subsidiary. Cathay Century has received approval from the China Insurance Regulatory Commission on October 8, 2007 to form a joint venture general insurance company. Cathay Century (shanghai) has acquired a business license of an enterprise as legal person on August 26, 2008. The capital fund has been wired out US\$27,820 thousands as of December 31, 2008.

32. Segment information

For the year ended December 31, 2007

Item	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Others division (NT\$)	Total (NT\$)
Net interest income	\$21,724,737	\$69,570,285	\$385,885	\$61,710	\$(39,717)	\$91,702,900
Non income other than interest	3,164,013	129,893,845	4,536,244	288,438	264,553	138,147,093
Provision for premiums reserve	-	(134,881,610)	(1,311,115)	-	-	(136,192,725)
Total income	24,888,750	64,582,520	3,611,014	350,148	224,836	93,657,268
Bad debt expenses-Loan	(4,085,730)	-	-	-	-	(4,085,730)
Operating expenses	(12,042,183)	(40,850,227)	(1,316,616)	(329,487)	(805,845)	(55,344,358)
Income from continuing operations before income taxes	8,760,837	23,732,293	2,294,398	20,661	(581,009)	34,227,180
Income taxes (expense) benefit	(1,801,901)	(1,013,809)	(264,894)	(12,741)	(370,909)	(3,464,254)
Consolidated income	6,958,936	22,718,484	2,029,504	7,920	(951,918)	30,762,926

For the year ended December 31, 2007

Item	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Others division (US\$)	Total (US\$)
Net interest income	\$669,896	\$2,145,245	\$11,899	\$1,903	\$(1,225)	\$2,827,718
Non income other than interest	97,564	4,005,361	139,878	8,894	8,158	4,259,855
Provision for premiums reserve	-	(4,159,161)	(40,430)	-	-	(4,199,591)
Total income	767,460	1,991,445	111,347	10,797	6,933	2,887,982
Bad debt expenses-Loan	(125,986)	-	-	-	-	(125,986)
Operating expenses	(371,328)	(1,259,643)	(40,599)	(10,160)	(24,849)	(1,706,579)
Income from continuing operations before income taxes	270,146	731,802	70,748	637	(17,916)	1,055,417
Income taxes (expense) benefit	(55,563)	(31,261)	(8,168)	(393)	(11,437)	(106,822)
Consolidated income	214,583	700,541	62,580	244	(29,353)	948,595

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousand of dollars except for share and per share date and unless otherwise stated)

For the year ended December 31, 2008

Item	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other divisions (NT\$)	Total (NT\$)
Net interest income	\$21,450,273	\$76,563,606	\$437,370	\$73,755	\$50,908	\$98,575,912
Non income other than interest	(5,039,558)	66,538,137	3,380,312	235,165	(162,852)	64,951,204
Provision for premiums reserve	-	(108,975,003)	(851,453)	-	-	(109,826,456)
Total income	16,410,715	34,126,740	2,966,229	308,920	(111,944)	53,700,660
Bad debt expenses	(926,248)	-	-	-	-	(926,248)
Operating expenses	(12,525,170)	(37,093,155)	(1,483,319)	(381,490)	(1,082,417)	(52,565,551)
Income from continuing operations before income taxes	2,959,297	(2,966,415)	1,482,910	(72,570)	(1,194,361)	208,861
Income taxes (expense) benefit	(2,082,679)	3,998,803	(211,216)	17,257	42,031	1,764,196
Consolidated income	876,618	1,032,388	1,271,694	(55,313)	(1,152,330)	1,973,057

For the year ended December 31, 2008

Item	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Other divisions (US\$)	Total (US\$)
Net interest income	\$654,770	\$2,337,107	\$13,351	\$2,251	\$1,554	\$3,009,033
Non income other than interest	(153,833)	2,031,079	103,184	7,178	(4,971)	1,982,637
Provision for premiums reserve	-	(3,326,465)	(25,991)	-	-	(3,352,456)
Total income	500,937	1,041,721	90,544	9,429	(3,417)	1,639,214
Bad debt expenses	(28,274)	-	-	-	-	(28,274)
Operating expenses	(382,330)	(1,132,270)	(45,278)	(11,645)	(33,041)	(1,604,564)
Income from continuing operations before income taxes	90,333	(90,549)	45,266	(2,216)	(36,458)	6,376
Income taxes (expense) benefit	(63,574)	122,063	(6,448)	528	1,283	53,852
Consolidated income	26,759	31,514	38,818	(1,688)	(35,175)	60,228

33. Parent Company financial statements

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.
Audited Balance Sheets
As of December 31, 2007 and 2008
(Expressed in thousands of dollars)

	December 31, 2007		December 31, 2008	
	NT \$	US \$	NT \$	US \$
Assets				
Cash and cash equivalents	\$10,262,917	\$316,464	\$2,299,386	\$70,189
Receivables -net	2,490,453	76,795	4,077,241	124,458
Held-to-maturity financial assets	-	-	15,000,000	457,875
Investments under equity method	214,115,082	6,602,377	144,936,489	4,424,191
Other financial assets -net	31,720	978	31,720	968
Property and equipment -net	4,240	131	4,467	136
Goodwill and intangible assets -net	1,080	33	533	16
Other assets -net	3,320,417	102,387	2,238,933	68,344
Total assets	\$230,225,909	\$7,099,165	\$168,588,769	\$5,146,177
Liabilities & stockholders' equity				
Financial liabilities at fair value through profit or loss	\$444,155	\$13,696	\$ -	\$ -
Payables	3,051,760	94,103	6,212,178	189,627
Bonds payable	-	-	20,000,000	610,501
Other liabilities	166,525	5,135	23,098	705
Total liabilities	3,662,440	112,934	26,235,276	800,833
Stockholders' equity				
Capital stock				
Common stock	92,770,192	2,860,629	97,375,372	2,972,386
Capital surplus	81,971,213	2,527,635	81,971,213	2,502,174
Retained earnings				
Legal reserve	9,245,862	285,102	12,320,672	376,089
Unappropriated retained earnings	35,577,963	1,097,069	7,060,140	215,511
Equity adjustments				
Reserve for land revaluation increment	2,106	65	2,106	64
Cumulative conversion adjustments	183,766	5,667	344,257	10,508
Unrealized gains or losses on financial instruments	10,955,521	337,821	(52,309,533)	(1,596,750)
Treasury stock	(4,140,047)	(127,661)	(4,140,047)	(126,375)
Net loss not yet recognized as net pension cost	(3,107)	(96)	(270,687)	(8,263)
Total stockholders' equity	226,563,469	6,986,231	142,353,493	4,345,344
Total liabilities and stockholders' equity	\$230,225,909	\$7,099,165	\$168,588,769	\$5,146,177

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.
Audited Statements of Income
For the years ended December 31, 2007 and 2008
(Expressed in thousands of dollars, except earning per share)

	January 1 ~ December 31, 2007		January 1 ~ December 31, 2008					
	NT \$	US \$	NT \$	US \$				
Income								
Gain on investment-equity method	\$30,667,388	\$945,649	\$2,858,167	\$87,245				
Gain on financial assets and liabilities at fair value through profit or loss	569,678	17,566	323,564	9,877				
Other operating income	46,375	1,430	59,132	1,805				
Total income	31,283,441	964,645	3,240,863	98,927				
Expenses and loss								
Interest income	1,122,694	34,619	483,671	14,764				
Less: interest expenses	(984,746)	(30,365)	(395,943)	(12,086)				
Net interest income	137,948	4,254	87,728	2,678				
Losses on foreign exchange	(97,135)	(2,995)	(716,859)	(21,882)				
Operating expenses	(225,702)	(6,960)	(486,983)	(14,865)				
Income from continuing operations before income taxes	31,098,552	958,944	2,124,749	64,858				
Income taxes (expense) benefit	(350,451)	(10,806)	71,480	2,182				
Net income	\$30,748,101	\$948,138	\$2,196,229	\$67,040				
Earnings per share (expressed in dollars)								
Primary earnings per share:	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Net income	\$3.22	\$3.18	\$0.10	\$0.10	\$0.22	\$0.23	\$0.01	\$0.01

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Audited Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2007 and 2008

(Expressed in thousands of dollars)

Summary	Retained earnings								Other stockholders' equity												
	Common stock		Capital surplus		Legal reserve		Undistributed earnings		Unrealized revaluation increments		Cumulative translation adjustments		Unrealized gains or losses on financial instruments		Treasury stock		Net loss not recognized as pension cost		Total		
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	
Balance on January 1, 2007	\$92,068,174	\$2,838,982	\$78,867,213	\$2,431,921	\$8,188,136	\$252,486	\$19,710,210	\$607,777	\$2,106	\$65	\$105,170	\$3,243	\$21,345,473	\$658,202	\$(4,140,047)	\$(127,661)	\$(573)	\$(18)	\$216,145,862	\$6,664,997	
Appropriations and distribution for 2006																					
Legal reserve					1,057,726	\$2,616	(1,057,726)	(32,616)												-	-
Cash dividends							(13,815,539)	(426,011)												(13,815,539)	(426,011)
Remuneration paid to directors and supervisors							(5,700)	(176)												(5,700)	(176)
Bonus paid to employees							(1,383)	(43)												(1,383)	(43)
Convertible notes converted into common stock	702,018	21,647	3,104,004	95,714																3,806,022	117,361
Capital surplus			(41)	(1)																(41)	(1)
Cumulative translation adjustments											78,596	2,424								78,596	2,424
Unrealized gains or losses of financial instruments													(10,389,952)	(320,381)						(10,389,952)	(320,381)
Other capital surplus			37	1																37	1
Net loss not recognized as pension cost																	(2,534)	(78)		(2,534)	(78)
Net income for the year ended December 31, 2007							30,748,101	948,138												30,748,101	948,138
Balance on December 31, 2007	\$92,770,192	\$2,860,629	\$81,971,213	\$2,527,635	\$9,245,862	\$285,102	\$35,577,963	\$1,097,069	\$2,106	\$65	\$183,766	\$5,667	\$10,955,521	\$337,821	\$(4,140,047)	\$(127,661)	\$(3,107)	\$(96)	\$226,563,469	\$6,986,231	
Balance on January 1, 2008	\$92,770,192	\$2,831,813	\$81,971,213	\$2,502,174	\$9,245,862	\$282,230	\$35,577,963	\$1,086,018	\$2,106	\$64	\$183,766	\$5,609	\$10,955,521	\$334,418	\$(4,140,047)	\$(126,375)	\$(3,107)	\$(95)	\$226,563,469	\$6,915,856	
Appropriations and distribution for 2007																					
Legal reserve					3,074,810	93,859	(3,074,810)	(93,859)												-	-
Cash dividends							(23,025,898)	(702,866)												(23,025,898)	(702,866)
Stock dividend to be distributed	4,605,180	140,573					(4,605,180)	(140,573)												-	-
Remuneration paid to directors and supervisors							(5,400)	(165)												(5,400)	(165)
Bonus paid to employees							(2,764)	(84)												(2,764)	(84)
Cumulative translation adjustments											160,491	4,899								160,491	4,899
Unrealized gains or losses of financial instruments													(63,265,054)	(1,931,168)						(63,265,054)	(1,931,168)
Net loss not recognized as pension cost																	(267,580)	(8,168)		(267,580)	(8,168)
Net loss for the year ended December 31, 2008							2,196,229	67,040												2,196,229	67,040
Balance on December 31, 2008	\$97,375,372	\$2,972,386	\$81,971,213	\$2,502,174	\$12,320,672	\$376,089	\$7,060,140	\$215,511	\$2,106	\$64	\$344,257	\$10,508	\$(52,309,533)	\$(1,596,750)	\$(4,140,047)	\$(126,375)	\$(270,687)	\$(8,263)	\$142,353,493	\$4,345,344	

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Cathay Financial Holding Co., Ltd.
Audited Statements of Cash Flows
For the years ended December 31, 2007 and 2008
(Expressed in thousands of dollars)

	January 1 ~ December 31, 2007		January 1 ~ December 31, 2008	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Net income	\$30,748,101	\$948,138	\$2,196,229	\$67,040
Adjustments:				
Amortizations	586	18	547	17
Depreciation	1,060	33	882	27
Losses on disposal of property and equipment	-	-	170	5
Investment income from equity method (excess) smaller of cash dividends received	(18,936,982)	(583,934)	20,806,452	635,118
Decrease in bonds payable redemption premium	(47,237)	(1,457)	-	-
Effects of exchange rate changes	(109,135)	(3,365)	712,859	21,760
Changes in operating assets and liabilities				
Increase in accounts receivable	(454,704)	(14,021)	(1,586,788)	(48,437)
Increase in deferred income tax assets	(284,258)	(8,765)	(1,512,040)	(46,155)
Increase in other assets	(10,282)	(317)	(1,000)	(31)
(Decrease) increase in accounts payable	(587,929)	(18,129)	4,440,974	135,561
Decrease in financial liabilities at fair value through profit or loss	(569,678)	(17,566)	(444,155)	(13,558)
Increase (decrease) in income tax payable	1,298,320	40,035	(1,280,556)	(39,089)
Increase (decrease) in deferred income tax liabilities	89,650	2,764	(146,839)	(4,482)
Increase in other liabilities	2,714	83	3,411	104
Net cash provided by operating activities	11,140,226	343,517	23,190,146	707,880
Cash flows from investing activities				
Acquisition of Held-to-maturity financial assets	-	-	(15,000,000)	(457,876)
Acquisition of property and equipment	(877)	(27)	(2,430)	(74)
Disposal of property and equipments	-	-	1,150	35
Decrease in other assets	7,136	220	2,594,524	79,198
Net cash provided by (used in) investing activities	6,259	193	(12,406,756)	(378,717)
Cash flows from financing activities				
(Decrease) increase in bonds payable	(419,951)	(12,949)	20,000,000	610,501
Remuneration paid to directors and supervisors	(5,700)	(176)	(5,400)	(165)
Bonus paid to employees	(1,383)	(43)	(2,764)	(84)
Cash dividends	(13,815,539)	(426,011)	(23,025,898)	(702,866)
Increase in investments under equity method	-	-	(15,000,000)	(457,876)
Disposal of treasury stock	37	1	-	-
Net cash used in financing activities	(14,242,536)	(439,178)	(18,034,062)	(550,490)
Effects of exchange rate changes	109,135	3,365	(712,859)	(21,760)
Decrease in cash and cash equivalents	(2,986,916)	(92,103)	(7,963,531)	(243,087)
Cash and cash equivalents at the beginning of the periods	13,249,833	408,567	10,262,917	313,276
Cash and cash equivalents at the end of the periods	\$10,262,917	\$316,464	\$2,299,386	\$70,189
Supplemental disclosure of cash flows information				
Interest paid during the period	\$1,067,334	\$32,912	\$439,072	\$13,403
Interest paid (excluding capitalized interest)	\$1,067,334	\$32,912	\$439,072	\$13,403
Income tax paid	\$42,646	\$1,315	\$18,725	\$572
Investing and financing activities with no cash flow effects				
Conversion of convertible notes into common stock	\$3,806,022	\$117,361	\$-	\$-

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33. The major subsidiaries' condensed balance sheets and statements of income

**Cathay Life Insurance Co., Ltd.
Condensed Balance Sheets
As of December 31, 2007 and 2008
(Expressed in thousands of dollars)**

Item	December 31, 2007		December 31, 2008	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$527,183,531	#####	\$476,305,055	\$14,539,227
Loans	537,128,973	16,562,719	541,554,027	16,530,953
Funds and investments	1,011,633,692	31,194,378	1,116,590,171	34,083,949
Property and equipment	13,059,470	402,697	12,776,546	390,004
Intangible assets	470,923	14,521	764,067	23,323
Other assets	265,413,695	8,184,203	210,948,626	6,439,213
Total assets	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>\$72,006,669</u>
Liabilities				
Current liabilities	\$22,639,159	\$698,093	\$36,387,760	\$1,110,738
Long-term liabilities	1,354,514	41,767	16,815,259	513,286
Other liabilities	2,207,545,813	68,071,102	2,251,850,929	68,737,818
Total liabilities	<u>2,231,539,486</u>	<u>68,810,962</u>	<u>2,305,053,948</u>	<u>70,361,842</u>
Stockholders' equity				
Capital stock	50,686,158	1,562,940	52,686,158	1,608,247
Capital surplus	9,648	298	13,009,648	397,120
Retained earnings	61,351,237	1,891,805	40,731,219	1,243,321
Others	11,303,755	348,558	(52,542,481)	(1,603,861)
Total stockholders' equity	<u>123,350,798</u>	<u>3,803,601</u>	<u>53,884,544</u>	<u>1,644,827</u>
Total liabilities and stockholders' equity	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>\$72,006,669</u>

**Cathay Life Insurance Co., Ltd.
Condensed Statements of Income
For the years ended December 31, 2007 and 2008
(Expressed in thousands of dollars, except earnings per share)**

Item	January 1 ~ December 31, 2007		January 1 ~ December 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$817,468,567	#####	\$935,240,412	\$28,548,242
Operating costs	(783,050,784)	(24,145,876)	(930,830,341)	(28,413,624)
Operating gross profit	34,417,783	1,061,295	4,410,071	134,618
Operating expenses	(11,223,421)	(346,082)	(11,021,303)	(336,426)
Non-operating revenues & gains	1,453,911	44,832	1,440,707	43,977
Non-operating expenses & losses	(298,921)	(9,217)	(822,150)	(25,096)
Income from continuing operations before income taxes	\$24,349,352	\$750,828	\$(5,992,675)	\$(182,927)
Net income (loss)	<u>\$23,468,521</u>	<u>\$723,667</u>	<u>\$(1,973,545)</u>	<u>\$(60,243)</u>
Earnings per share (in dollars)				
Income from continuing operations before income taxes	<u>\$4.80</u>	<u>\$0.15</u>	<u>\$(1.16)</u>	<u>\$(0.04)</u>
Net income (loss)	<u>\$4.63</u>	<u>\$0.14</u>	<u>\$(0.38)</u>	<u>\$(0.01)</u>

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Century Insurance Co., Ltd.
Condensed Balance Sheets
As of December 31, 2007 and 2008
(Expressed in thousands of dollars)**

Items	December 31, 2007		December 31, 2008	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$11,410,012	\$351,835	\$12,408,878	\$378,781
Loans	2,241,869	69,129	1,499,614	45,776
Funds and investments	4,592,574	141,615	4,573,044	139,592
Fixed assets	77,144	2,379	117,303	3,581
Intangible assets	15,747	486	18,669	570
Other assets	642,434	19,810	886,017	27,046
Total assets	\$18,979,780	\$585,254	\$19,503,525	\$595,346
Liabilities				
Current liabilities	\$1,964,289	\$60,570	\$2,082,151	\$63,558
Long-term liabilities	14,706	453	17,867	545
Other liabilities	13,130,885	404,900	14,307,068	436,724
Total liabilities	15,109,880	465,923	16,407,086	500,827
Stockholders' equity				
Capital stock	2,317,006	71,447	2,317,006	70,726
Capital surplus	1,929	60	1,929	59
Retained earnings	1,463,165	45,117	999,951	30,524
Others	87,800	2,707	(222,447)	(6,790)
Total stockholders' equity	3,869,900	119,331	3,096,439	94,519
Total liabilities and stockholders' equity	\$18,979,780	\$585,254	\$19,503,525	\$595,346

**Cathay Century Insurance Co., Ltd.
Condensed Statements of Income
For the years ended December 31, 2007 and 2008
(Expressed in thousands of dollars)**

Items	January 1 ~ December 31, 2007		January 1 ~ December 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$18,558,494	\$572,263	\$19,680,989	\$600,763
Operating costs	(15,062,780)	(464,471)	(16,495,878)	(503,538)
Operating gross profit	3,495,714	107,792	3,185,111	97,225
Operating expenses	(2,201,762)	(67,893)	(2,493,863)	(76,125)
Non-operating revenues	17,349	535	10,675	326
Non-operating expenses	(76)	(2)	(12,223)	(373)
Income from continuing operations before income taxes	\$1,311,225	\$40,432	\$689,700	\$21,053
Net income	\$1,046,331	\$32,264	\$478,484	\$14,606
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$5.66	\$0.17	\$2.98	\$0.09
Net income	\$4.52	\$0.14	\$2.07	\$0.06

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Life Insurance Company(Shanghai)
Condensed Balance Sheets
As of December 31, 2007 and 2008
(Expressed in thousands of dollars)**

Items	December 31, 2007		December 31, 2008	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$4,036,276	\$124,461	\$3,848,465	\$117,475
Loans	2,121	65	8,608	263
Funds and investments	3,145,859	97,005	5,104,763	155,823
Fixed assets	86,057	2,654	276,230	8,432
Intangible assets	3,122	96	163,486	4,990
Other assets	990,455	30,541	1,114,664	34,025
Total assets	\$8,263,890	\$254,822	\$10,516,216	\$321,008
Liabilities				
Current liabilities	\$593,860	\$18,312	\$1,027,100	\$31,352
Other liabilities	4,280,634	131,996	7,050,415	215,214
Total liabilities	4,874,494	150,308	8,077,515	246,566
Stockholders' equity				
Capital stock	3,257,376	100,443	3,257,376	99,432
Retained earnings	(633,674)	(19,540)	(1,448,970)	(44,230)
Others	765,694	23,611	630,295	19,240
Total stockholders' equity	3,389,396	104,514	2,438,701	74,442
Total liabilities and stockholders' equity	\$8,263,890	\$254,822	\$10,516,216	\$321,008

**Cathay Life Insurance Company(Shanghai)
Condensed Statements of Income
For the years ended December 31, 2007 and 2008
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ December 31, 2007		January 1 ~ December 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$3,109,988	\$95,899	\$5,043,598	\$153,956
Operating costs	(2,786,766)	(85,932)	(4,932,694)	(150,571)
Operating gross profit	323,222	9,967	110,904	3,385
Operating expenses	(542,642)	(16,733)	(979,239)	(29,891)
Non-operating revenues	10,331	319	53,202	1,624
Non-operating expenses	(48)	(2)	(163)	(5)
Loss from continuing operations before income taxes	\$(209,137)	\$(6,449)	\$(815,296)	\$(24,887)
Net income	\$(342,115)	\$(10,549)	\$(815,296)	\$(24,887)
Earnings per share (in dollars)				
Income from continuing operations before income taxes	Note	Note	Note	Note
Net loss	Note	Note	Note	Note

Note : Cathay Life Insurance (Shanghai) is a limited company, thus there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Life Insurance (Vietnam) Co., Ltd.
Condensed Balance Sheets
As of December 31, 2007 and 2008
(Expressed in thousands of dollars)**

Items	December 31, 2007		December 31, 2008	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$1,946,580	\$60,024	\$503,563	\$15,371
Funds and investments	-	-	1,690,297	51,596
Fixed assets	-	-	28,076	857
Intangible assets	-	-	43,376	1,324
Other assets	-	-	50,244	1,534
Total assets	\$1,946,580	\$60,024	\$2,315,556	\$70,682
Liabilities				
Current liabilities	\$-	\$-	\$26,401	\$806
Other liabilities	-	-	17,077	521
Total liabilities	-	-	43,478	1,327
Stockholders' equity				
Capital stock	1,940,080	59,824	1,940,080	59,221
Retained earnings	-	-	52,496	1,602
Others	6,500	200	279,502	8,532
Total stockholders' equity	1,946,580	60,024	2,272,078	69,355
Total liabilities and stockholders' equity	\$1,946,580	\$60,024	\$2,315,556	\$70,682

Note : Cathay Life Insurance (Vietnam) is a limited company, there is no information about earnings per share.

**Cathay Life Insurance (Vietnam) Co., Ltd.
Condensed Statements of Income
For the period of November 21, 2007 to December 31, 2007 and the year ended December 31, 2008
(Expressed in thousands of dollars, except earning per share)**

Items	November 21~ December 31, 2007		January 1 ~ December 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$-	\$-	\$205,571	\$6,275
Operating costs	-	-	(33,624)	(1,026)
Operating gross profit	-	-	171,947	5,249
Operating expenses	-	-	(107,918)	(3,294)
Non-operating revenues	-	-	8,877	271
Non-operating expenses	-	-	(83)	(3)
Loss from continuing operations before income taxes	\$-	\$-	\$72,823	\$2,223
Net income	\$-	\$-	\$52,496	\$1,602
Earnings per share (in dollars)				
Income from continuing operations before income taxes	Note	Note	Note	Note
Net income	Note	Note	Note	Note

Note 1: Cathay Life Insurance (Vietnam) is a limited company, thus there is no information about earnings per share.

Note 2: Cathay Life Insurance (Vietnam) was incorporated on November 21, 2007, thus there was no information about 2007.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance (Shanghai) Co., Ltd.

Condensed Balance Sheets

As of December 31, 2008

(Expressed in thousands of dollars)

Items	December 31, 2008	
	NT\$	US\$
Assets		
Current assets	\$1,430,674	\$43,672
Fixed assets	46,100	1,407
Other assets	453,271	13,836
Total assets	<u>\$1,930,045</u>	<u>\$58,915</u>
Liabilities		
Current liabilities	\$15,964	\$487
Other liabilities	79,472	2,426
Total liabilities	<u>95,436</u>	<u>2,913</u>
Stockholders' equity		
Capital stock	1,745,942	53,295
Retained earnings	(91,107)	(2,781)
Others	179,774	5,488
Total stockholders' equity	<u>1,834,609</u>	<u>56,002</u>
Total liabilities and stockholders' equity	<u>\$1,930,045</u>	<u>\$58,915</u>

Cathay Century Insurance (Shanghai) Co., Ltd.

Condensed Statements of Income

For the period of September 26 to December 31, 2008

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

Items	September 26 ~ December 31, 2008	
	NT\$	US\$
Operating revenues	\$87,865	\$2,682
Operating costs	<u>(110,351)</u>	<u>(3,368)</u>
Operating gross profit	(22,486)	(686)
Operating expenses	<u>(68,621)</u>	<u>(2,095)</u>
Loss from continuing operations before income taxes	<u>\$(91,107)</u>	<u>\$(2,781)</u>
Net income	<u>\$(91,107)</u>	<u>\$(2,781)</u>
Earnings per share (in dollars)		
Income from continuing operations before income taxes	<u>Note</u>	<u>Note</u>
Net income	<u>Note</u>	<u>Note</u>

Note1: Cathay Century Insurance (Shanghai) is a limited company, thus there is no information about earnings per share.

Note2: Cathay Century Insurance (Shanghai) was incorporate on September 26, 2008, thus there was no information about 2007.

English Translation of Financial Statements Originally Issued in Chinese

**Cathay United Bank Co., Ltd.
Condensed Balance Sheets
As of December 31, 2007 and 2008
(Expressed in thousands of dollars)**

Items	December 31, 2007		December 31, 2008	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$15,648,864	\$482,543	\$21,742,475	\$663,690
Due from the Central Bank and call loans to banks	57,701,798	1,779,272	46,966,265	1,433,647
Financial assets at fair value through profit or loss	39,932,764	1,231,353	53,189,451	1,623,610
Securities purchased under agreements to resell	326,000	10,052	2,169,147	66,213
Receivables-net	43,784,801	1,350,133	47,607,325	1,453,215
Loans and advances to customers-net	755,956,633	23,310,411	807,231,524	24,640,767
Available-for-sale financial assets -net	63,913,728	1,970,821	98,016,783	2,991,965
Held-to-maturity financial assets-net	3,320,686	102,396	2,542,836	77,620
Investments-equity method	2,513,001	77,490	3,513,361	107,245
Investments in debt securities with no active market	256,829,635	7,919,508	218,918,136	6,682,483
Other financial assets-net	4,309,670	132,891	6,587,081	201,071
Property and equipment-net	27,656,434	852,804	26,725,584	815,799
Intangible assets-net	6,883,557	212,259	6,908,558	210,884
Other assets-net	9,413,861	290,282	9,431,560	287,899
Total assets	\$1,288,191,432	\$39,722,215	\$1,351,550,086	\$41,256,108
Liabilities				
Due to the Central Bank and call loans from banks	\$73,869,345	\$2,277,809	\$62,926,229	\$1,920,825
Funds borrowed from the Central and other banks	1,624,200	50,083	1,643,000	50,153
Financial liabilities at fair value through profit or loss	47,847,320	1,475,403	47,460,720	1,448,740
Securities sold under agreements to repurchase	14,635,423	451,293	20,732,112	632,848
Payables	16,167,690	498,541	23,225,319	708,954
Deposits and remittances	1,031,565,513	31,808,989	1,091,306,408	33,312,161
Financial debentures payable	18,551,837	572,058	18,865,978	575,885
Other financial liabilities	308,730	9,520	261,319	7,977
Other liabilities	2,249,539	69,366	2,242,407	68,449
Total liabilities	1,206,819,597	37,213,062	1,268,663,492	38,725,992
Shareholders' equity				
Capital stock	48,689,413	1,501,369	48,689,413	1,486,246
Capital reserves	15,213,611	469,122	15,213,611	464,396
Retained earnings	17,882,634	551,423	18,328,293	559,471
Others	(413,823)	(12,761)	655,277	20,003
Total shareholders' equity	81,371,835	2,509,153	82,886,594	2,530,116
Total liabilities and shareholders' equity	\$1,288,191,432	\$39,722,215	\$1,351,550,086	\$41,256,108

**Cathay United Bank Co., Ltd.
Condensed Statements of Income
For the years ended December 31, 2007 and 2008
(Expressed in thousands of dollars, except per share information)**

Items	January 1 ~ December 31, 2007		January 1 ~ December 31, 2008	
	NT\$	US\$	NT\$	US\$
Net interest income	\$21,164,320	\$652,616	\$20,517,858	\$626,308
Non-interest income	5,055,622	155,893	1,017,372	31,055
Net operating income	26,219,942	808,509	21,535,230	657,363
Provision for loan losses	(4,085,730)	(125,986)	(926,249)	(28,274)
Operating expenses	(14,007,947)	(431,944)	(14,156,207)	(432,118)
Income from continuing operations before income taxes	\$8,126,265	\$250,579	\$6,452,774	\$196,971
Net income	\$6,400,265	\$197,356	\$4,460,774	\$136,165
Earnings per share (in dollars)				
Income from continuing operations before income taxes	\$1.67	\$0.05	\$1.33	\$0.04
Net income	\$1.31	\$0.04	\$0.92	\$0.03

English Translation of Financial Statements Originally Issued in Chinese

Indovina Bank Limited
Condensed Balance Sheets
As of December 31, 2007 and 2008
(Expressed in thousands of dollars)

Items	December 31, 2007		December 31, 2008	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$3,833,776	\$118,217	\$3,014,673	\$92,023
Due from the Central Bank and call loans to banks	1,693,715	52,227	1,607,873	49,080
Financial assets at fair value through profit or loss	187,662	5,787	70,459	2,152
Investments in debt securities with no active market	316,330	9,754	223,883	6,834
Receivables-net	91,531	2,822	109,585	3,345
Loans and advances to customers-net	11,210,084	345,670	12,354,490	377,121
Premises and equipment-net	175,583	5,414	198,225	6,051
Intangible assets-net	41,133	1,269	36,273	1,107
Other assets-net	423	13	22,423	684
Total assets	\$17,550,237	\$541,173	\$17,637,884	\$538,397
Liabilities				
Due to the Central Bank and call loans from banks	\$206,978	\$6,382	\$959,482	\$29,288
Payables	127,325	3,926	375,316	11,457
Deposits and remittances	12,815,108	395,162	12,914,556	394,217
Other liabilities	2,262,085	69,753	-	-
Total liabilities	15,411,496	475,223	14,249,354	434,962
Shareholders' equity				
Capital stock	1,605,418	49,504	2,710,117	82,727
Retained earnings	514,399	15,862	608,459	18,573
Others	18,924	584	69,954	2,135
Total shareholders' equity	2,138,741	65,950	3,388,530	103,435
Total liabilities and shareholders' equity	\$17,550,237	\$541,173	\$17,637,884	\$538,397

Indovina Bank Limited
Condensed Statements of Income
For the years ended December 31, 2007 and 2008
(Expressed in thousands of dollars, except per share information)

Items	January 1 ~ December 31, 2007		January 1 ~ December 31, 2008	
	NT\$	US\$	NT\$	US\$
Net interest income	\$561,854	\$17,325	\$667,050	\$20,362
Non-interest income	35,454	1,093	98,023	2,992
Net operating revenue	597,308	18,418	765,073	23,354
Provision for loan losses	(30,004)	(925)	(33,586)	(1,025)
Operating expenses	(195,388)	(6,025)	(288,591)	(8,810)
Income from continuing operations before income taxes	\$371,916	\$11,468	\$442,896	\$13,519
Net income	\$296,015	\$9,128	\$352,217	\$10,751
Earnings per share (in dollars)				
Income from continuing operations before income taxes	Note	Note	Note	Note
Net income	Note	Note	Note	Note

Note : Indovina Bank is a subsidiary of foreign bank. Thus, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Securities Corporation
Condensed Balance Sheets
As of December 31, 2007 and 2008
(Expressed in thousands of dollars)**

Items	December 31, 2007		December 31, 2008	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$3,156,916	\$97,345	\$3,151,784	\$96,209
Funds and investments	719,518	22,187	737,726	22,519
Property and equipment	71,721	2,212	49,780	1,520
Intangible assets	8,749	270	6,994	213
Other assets	405,211	12,495	337,697	10,308
Total assets	\$4,362,115	\$134,509	\$4,283,981	\$130,769
Liabilities				
Current liabilities	\$286,564	\$8,837	\$270,923	\$8,270
Long-term liabilities	868	27	1,010	31
Other liabilities	32,279	995	42,247	1,289
Total liabilities	319,711	9,859	314,180	9,590
Stockholders' equity				
Capital stock	3,700,000	114,092	3,700,000	112,943
Capital surplus	258,434	7,969	258,434	7,889
Retained earnings	83,970	2,589	15,138	462
Unrealized gain or loss on financial instruments	-	-	(3,771)	(115)
Total stockholders' equity	4,042,404	124,650	3,969,801	121,179
Total liabilities and stockholders' equity	\$4,362,115	\$134,509	\$4,283,981	\$130,769

**Cathay Securities Corporation
Condensed Statements of Income
For the years ended December 31, 2007 and 2008
(Expressed in thousands of dollars, except for earnings per share)**

Items	January 1 ~ December 31, 2007		January 1 ~ December 31, 2008	
	NT\$	US\$	NT\$	US\$
Revenue	\$472,762	\$14,578	\$504,306	\$15,394
Expenses	(440,808)	(13,593)	(576,947)	(17,612)
Income (loss) from continuing operations before income taxes	\$31,954	\$985	\$(72,641)	\$(2,218)
Net income (loss)	\$19,212	\$592	\$(55,384)	\$(1,691)
Earnings per share (in dollars)				
Income (loss) from continuing operations before income taxes	\$0.09	\$0.003	\$(0.20)	\$(0.01)
Net income (loss)	\$0.05	\$0.002	\$(0.15)	\$(0.01)

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Pacific Venture Capital Co., Ltd.
Condensed Balance Sheets
As of December 31, 2007 and 2008
(Expressed in thousands of dollars)**

Items	December 31, 2007		December 31, 2008	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$444,032	\$13,692	\$379,892	\$11,596
Funds and investments	288,895	8,908	132,889	4,057
Total assets	<u>\$732,927</u>	<u>\$22,600</u>	<u>\$512,781</u>	<u>\$15,653</u>
Liabilities				
Current liabilities	\$2,571	\$79	\$201	\$6
Total liabilities	<u>2,571</u>	<u>79</u>	<u>201</u>	<u>6</u>
Stockholders' equity				
Capital stock	600,000	18,501	600,000	18,315
Retained earnings	26,271	810	(71,522)	(2,183)
Equity adjustment	104,085	3,210	(15,898)	(485)
Total stockholders' equity	<u>730,356</u>	<u>22,521</u>	<u>512,580</u>	<u>15,647</u>
Total liabilities and stockholders' equity	<u>\$732,927</u>	<u>\$22,600</u>	<u>\$512,781</u>	<u>\$15,653</u>

**Cathay Pacific Venture Capital Co., Ltd.
Condensed Statements of Income
For the years ended December 31, 2007 and 2008
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ December 31, 2007		January 1 ~ December 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$64,259	\$1,982	\$1,616	\$49
For the six months ended June 30, 2007 and 2008	(33,032)	(1,019)	(87,262)	(2,664)
Operating gross profit	31,227	963	(85,646)	(2,615)
Operating expenses	(14,981)	(462)	(12,025)	(367)
Non-operating revenues	3,230	100	16,761	512
Non-operating expenses	(773)	(24)	(715)	(22)
Income from continuing operations before income taxes	<u>\$18,703</u>	<u>\$577</u>	<u>\$(81,625)</u>	<u>\$(2,492)</u>
Net losses	<u>\$20,924</u>	<u>\$645</u>	<u>\$(78,953)</u>	<u>\$(2,410)</u>
Earning per share (in dollars)				
Income from continuing operations before income taxes	<u>\$0.31</u>	<u>\$0.01</u>	<u>\$(1.36)</u>	<u>\$(0.04)</u>
Net losses	<u>\$0.35</u>	<u>\$0.01</u>	<u>\$(1.32)</u>	<u>\$(0.04)</u>

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Venture Capital Co., Ltd.
Condensed Balance Sheets
As of December 31, 2007 and 2008
(Expressed in thousands of dollars)**

Items	December 31, 2007		December 31, 2008	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$138,226	\$4,262	\$190,939	\$5,828
Funds and investments	1,573,743	\$48,528	1,262,792	\$38,547
Total assets	\$1,711,969	\$52,790	\$1,453,731	\$44,375
Liabilities				
Current liabilities	\$14,846	\$458	\$4,557	\$139
Total liabilities	14,846	458	4,557	139
Stockholders' equity				
Capital stock	1,500,000	46,253	1,500,000	45,788
Retained earnings	125,845	3,881	100,197	3,058
Equity adjustment	71,278	2,198	(151,023)	(4,610)
Total stockholders' equity	1,697,123	52,332	1,449,174	44,236
Total liabilities and stockholders' equity	\$1,711,969	\$52,790	\$1,453,731	\$44,375

**Cathay Venture Capital Co., Ltd.
Condensed Statements of Income
For the years ended December 31, 2007 and 2008
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ December 31, 2007		January 1 ~ December 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$213,496	\$6,583	\$91,491	\$2,793
Operating costs	(56,376)	(1,738)	(33,190)	(1,013)
Operating gross profit	157,120	4,845	58,301	1,780
Operating expenses	(29,463)	(909)	(29,347)	(896)
Non-operating revenues	149	5	670	20
Income from continuing operations before income taxes	\$127,806	\$3,941	\$29,624	\$904
Net income	\$114,569	\$3,533	\$25,353	\$774
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$0.85	\$0.03	\$0.20	\$0.01
Net income	\$0.76	\$0.02	\$0.17	\$0.01

English Translation of Financial Statements Originally Issued in Chinese

**Cathay II Venture Capital Co., Ltd.
Condensed Balance Sheets
As of December 31, 2007 and 2008
(Expressed in thousands of dollars)**

Items	December 31, 2007		December 31, 2008	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$106,937	\$3,297	\$72,271	\$2,206
Funds and investments	745,558	22,990	660,366	20,158
Other assets	-	-	98	3
Total assets	<u>\$852,495</u>	<u>\$26,287</u>	<u>\$732,735</u>	<u>\$22,367</u>
Liabilities				
Current liabilities	\$9,711	\$299	\$8,213	\$251
Total liabilities	<u>9,711</u>	<u>299</u>	<u>8,213</u>	<u>251</u>
Stockholders' equity				
Capital stock	600,000	18,502	600,000	18,315
Retained earnings	197,698	6,096	206,446	6,302
Equity adjustment	45,086	1,390	(81,924)	(2,501)
Total stockholders' equity	<u>842,784</u>	<u>25,988</u>	<u>724,522</u>	<u>22,116</u>
Total liabilities and stockholders' equity	<u>\$852,495</u>	<u>\$26,287</u>	<u>\$732,735</u>	<u>\$22,367</u>

**Cathay II Venture Capital Co., Ltd.
Condensed Statements of Income
For the years ended December 31, 2007 and 2008
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ December 31, 2007		January 1 ~ December 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$134,176	\$4,137	\$43,979	\$1,342
Operating costs	(9,054)	(279)	(820)	(25)
Operating gross profit	125,122	3,858	43,159	1,317
Operating expenses	(25,557)	(788)	(26,384)	(805)
Non-operating revenues	132	4	-	-
Non-operating expenses	-	-	(117)	(4)
Income from continuing operations before income taxes	<u>\$99,697</u>	<u>\$3,074</u>	<u>\$16,658</u>	<u>\$508</u>
Net income	<u>\$90,257</u>	<u>\$2,783</u>	<u>\$8,748</u>	<u>\$267</u>
Earning per share (in dollars)				
Income from continuing operations before income taxes	<u>\$1.66</u>	<u>\$0.05</u>	<u>\$0.28</u>	<u>\$0.01</u>
Net income	<u>\$1.50</u>	<u>\$0.05</u>	<u>\$0.15</u>	<u>\$-</u>

English Translation of Financial Statements Originally Issued in Chinese

**Symphox Information Co., Ltd.
Condensed Balance Sheets
As of December 31, 2007 and 2008
(Expressed in thousands of dollars)**

Items	December 31, 2007		December 31, 2008	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$561,068	\$17,301	\$692,964	\$21,153
Fixed assets	111,544	3,439	85,022	2,595
Intangible assets	7,736	239	4,763	145
Other assets	22,421	691	22,531	688
Total assets	\$702,769	\$21,670	\$805,280	\$24,581
Liabilities				
Current liabilities	\$250,994	\$7,740	\$292,154	\$8,918
Other liabilities	80	2	80	2
Total liabilities	251,074	7,742	292,234	8,920
Stockholders' equity				
Capital stock	499,000	15,387	499,000	15,232
Retained earnings	(47,305)	(1,459)	14,046	429
Total stockholders' equity	451,695	13,928	513,046	15,661
Total liabilities and stockholders' equity	\$702,769	\$21,670	\$805,280	\$24,581

**Symphox Information Co., Ltd.
Condensed Statements of Income
For the years ended December 31, 2007 and 2008
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ December 31, 2007		January 1 ~ December 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$1,035,446	\$31,929	\$1,195,445	\$36,491
Operating costs	(923,465)	(28,476)	(1,030,852)	(31,467)
Operating gross profit	111,981	3,453	164,593	5,024
Operating expenses	(102,460)	(3,160)	(94,171)	(2,874)
Non-operating revenues	5,504	170	9,967	304
Non-operating expenses	(726)	(22)	(5,033)	(154)
Income from continuing operations before income taxes	\$14,299	\$441	\$75,356	\$2,300
Net income	\$14,299	\$441	\$61,351	\$1,873
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$0.29	\$0.01	\$1.51	\$0.05
Net income	\$0.29	\$0.01	\$1.23	\$0.04

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Futures Corp.
Condensed Balance Sheets
As of December 31, 2007 and 2008
(Expressed in thousands of dollars)**

Items	December 31, 2007		December 31, 2008	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$1,398,569	\$43,126	\$2,080,054	\$63,494
Funds and investments	30,500	940	30,500	931
Fixed assets	325,474	10,036	171,822	5,245
Intangible assets	9,270	286	7,475	228
Other assets	133,876	4,128	282,004	8,608
Total assets	\$1,897,689	\$58,516	\$2,571,855	\$78,506
Liabilities				
Current liabilities	\$1,170,137	\$36,082	\$1,824,187	\$55,683
Other liabilities	7,985	246	9,891	302
Total liabilities	1,178,122	36,328	1,834,078	55,985
Stockholders' equity				
Capital stock	650,000	20,043	650,000	19,841
Retained earnings	69,567	2,145	87,777	2,680
Total stockholders' equity	719,567	22,188	737,777	22,521
Total liabilities and stockholders' equity	\$1,897,689	\$58,516	\$2,571,855	\$78,506

**Cathay Futures Corp.
Condensed Statements of Income
For the years ended December 31, 2007 and 2008
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ December 31, 2007		January 1 ~ December 31, 2008	
	NT\$	US\$	NT\$	US\$
For the six months ended June 30, 2007 and 2008	\$59,356	\$1,830	\$124,304	\$3,795
Operating costs	(24,622)	(759)	(67,672)	(2,066)
Operating gross profit	34,734	1,071	56,632	1,729
Operating expenses	(53,814)	(1,660)	(65,561)	(2,001)
Non-operating revenues	20,745	640	36,282	1,107
Non-operating expenses	(653)	(20)	(2,499)	(76)
Income from continuing operations before income taxes	\$1,012	\$31	\$24,854	\$759
Net (loss) income	\$1,011	\$31	\$18,918	\$577
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$0.02	\$-	\$0.38	\$0.01
Net (loss) income	\$0.02	\$-	\$0.29	\$0.01